

STATE OF WISCONSIN

BUDGET IN BRIEF

SCOTT WALKER, GOVERNOR



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**DIVISION OF
EXECUTIVE BUDGET AND FINANCE
DEPARTMENT OF ADMINISTRATION**



ABOUT THE BUDGET DOCUMENTS

The Governor's recommended budget for the 2017-19 biennium is presented in its customary components. The operating budget for all agencies and their programs is submitted to the Legislature in the Budget Bill, the Executive Budget Book, and this Budget in Brief. The capital budget will be submitted as a budget amendment, after the State Building Commission has approved a recommended building program for the 2017-19 biennium.

2017-19 EXECUTIVE BUDGET MATERIALS AVAILABLE ON THE INTERNET

As provided in s. 16.46, Wisconsin Statutes, the Executive Budget, Budget in Brief, and Tax Exemption Devices have been posted on the Internet in an effort to reduce publications costs.

The Executive Budget, Budget in Brief, Tax Exemption Devices, and Budget Bill can be found at the following Web site: www.doa.state.wi.us/executivebudget

The Tax Exemption Devices can also be found at the following Web site: www.revenue.wi.gov/report/index.html

As provided in s. 16.46, Wisconsin Statutes, a printed copy of the documents shall be provided to a member of the Legislature upon request. Please E-mail Waylon Hurlburt at the State Budget Office at WaylonR.Hurlburt@wisconsin.gov to request a printed copy.

The Budget Bill can also be found on the Legislature's Web site: <http://legis.wisconsin.gov/>



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THE 2017-19 EXECUTIVE BUDGET



I. THE 2017-19 EXECUTIVE BUDGET

A. WISCONSIN IS WORKING

The 2017-19 executive state budget is organized around three main priorities: student success, accountable government, and rewarding work.

In keeping with these priorities, this budget makes significant investments into K-12 education, reduces taxes, and continues to move individuals from government dependence to the independence that comes through the dignity of work. Investments can be made in these priorities because of the dividends being reaped from hard-fought reforms. These reforms, coupled with leadership built upon the foundation of frugality and moderation have resulted in the "Reform Dividend."

These reforms have contributed to a strong and growing economy for Wisconsin families. The unemployment rate is at a 16-year low and 2016 saw the highest number of individuals employed in our state's history. Our labor force participation rate is top ten in the nation and average weekly wage growth in 2015 and 2016 were the best back-to-back years in more than a decade.

Wisconsin's finances are sound. Wisconsin has again ended the most recent fiscal year with a surplus of \$331 million. That balance is estimated to grow to \$427.2 million by the close of fiscal year 2016-17. A lower than estimated increase in Medicaid enrollment due to a growing economy and higher than previously estimated revenue growth contribute to the higher estimated ending balances.

I. STUDENT SUCCESS

K-12

This budget includes significant investments into K-12 education. On both a total state funding and on a per pupil basis, state funding for education will exceed the highest levels in state history.

In total, \$648.9 million in additional state aid is invested into K-12. This includes a \$604 per pupil categorical increase over the biennium. That is \$200 per pupil in 2017-18 school year and an additional \$204 in the 2018-19 school year for K-12 public schools. Included in that total is a per pupil payment of \$12 per pupil in the first year and \$24 in the second year of the biennium resulting from savings by moving the state to a self-insurance plan. Together, these increases meet the per pupil revenue limit request made by the Department of Public Instruction.

In addition to increases in per pupil categorical aid both Sparsity Aid and High Cost Transportation Aid will reach all-time highs. Sparsity Aid will increase from \$300 per pupil to \$400 per pupil and a second tier for schools between 746 and 1,000 pupils of \$100 per pupil will be created. Sparsity Aid funding will increase 56 percent from fiscal year 2016-17 to fiscal year 2017-18.

High Cost Transportation Aid will be fully funded. Aid will increase 69 percent to an all-time high of \$25.4 million over the biennium. This budget invests \$6.5 million to improve and expand school mental health services, fully funding the Department of Public Instruction's request.



An Early College Credit Program is created, combining Youth Options and Course Options into a more simple and flexible program allowing students to gain college credit before leaving high school. The budget will provide \$2.9 million in funding to help offset the costs of the program for students, school districts, and colleges.

UNIVERSITY OF WISCONSIN SYSTEM

The University of Wisconsin System's operating budget reached an all-time high in the current school year of \$6.26 billion. In addition, fiscal year 2015-16 closed with \$883.3 million in unrestricted program revenue balances throughout the University of Wisconsin System.

The University of Wisconsin System will see an investment of \$105.2 million in state funds. Separate from that, the system will receive a \$35 million increase to offset a 5 percent resident undergraduate tuition reduction in fiscal year 2018-19. The average resident undergraduate savings due to the freeze and this cut for a student graduating in four years in the 2018-19 academic year is estimated at \$9,068. This is compared to the four-year trend prior to the tuition freeze in the 2012-13 academic year. This reduction in tuition ensures all resident undergraduate students see savings. Tuition had risen 118 percent in the ten-year period prior to Governor Walker instituting the tuition freeze.

In addition, targeted needs-based aid will be increased within the Wisconsin Grant program by \$10 million over the biennium. This will increase these needs-based grants to the highest ever levels in state history. This budget also provides \$700,000 in financial aid for students utilizing the Flexible Option program as well.

The budget invests \$42.5 million in performance funding to be distributed to University of Wisconsin System institutions based on state priorities, including improving college affordability and attainment, enhancing work readiness, graduates finding jobs in Wisconsin, and administrative efficiency among other weighted criteria.

Overall state support for the University of Wisconsin System will total \$2.2 billion at the end of the biennium.

WISCONSIN TECHNICAL COLLEGE SYSTEM

The Wisconsin Technical College System will see a \$10 million increase in aid in the budget. This will, in part offset a freeze in technical college fees saving the typical student an estimated \$279 over the next two years. Technical college districts will also be allowed to offer tuition rates at a cost lower than, but not to exceed the rates set by the Technical College Board. Needs-based Wisconsin Grants will also be increased for technical college students.

The budget will maintain the 30 percent portion of state aid distributed based on performance. The performance model for technical colleges will be modified to include weighted categories based on affordability and attainment, workforce readiness, student success in the workforce, and efficiency.

An additional \$5 million is provided for training grants to technical colleges designed to fill high need jobs. These funds will be competitive for technical college districts and distributed through the Wisconsin Fast Forward program.



Overall state support for the Wisconsin Technical College System will total \$1 billion at the end of the biennium.

II. ACCOUNTABLE GOVERNMENT

This budget continues to hold property taxes on a median-valued home below their level in 2010. Property taxes, as a percentage of personal income, are the lowest they have been since the end of World War II. One of the ways this budget holds property taxes in check is by eliminating the state portion of the property tax levy. In addition, investments are made into general school aids and the School Levy Property Tax Credit to reduce property taxes on the median-valued home. Under this budget, the owners of a median-valued home will have saved a cumulative \$706 over eight years compared to where they were in 2010, or nearly \$3,000 compared to the four-year trend leading up to 2010.

In addition to property tax reductions, this budget cuts income taxes by reducing the bottom two brackets of 4.0 percent and 5.84 percent to 3.9 percent and 5.74 percent respectively. In addition, the 5.74 percent bracket will be extended by 25 percent, providing targeted relief to middle class income taxpayers by pulling more of their income into a lower tax bracket. This cut reduces income taxes on a median-income family of four by an estimated \$69 in tax year 2017 and \$70 in tax year 2018. This \$203 million income tax cut over the biennium is targeted to middle income families. With this tax cut, the cumulative savings from all individual income tax rate cuts since 2013 for the median family of four will total \$1,542 by tax year 2018.

A substantial new deposit into the Budget Stabilization Fund of \$20 million pushes the fund total over \$300 million. This means that the Budget Stabilization Fund will be 178 times larger than it was in 2010. The budget also incorporates current law growth in the statutory balance to \$75 million, an increase of 15 percent.

This budget also improves the condition of the Transportation Fund while at the same time providing significant increases in local road aids, highway safety, and maintenance. It provides funding to keep all active major highway development projects on-time according to recent cost estimates. This includes I-39/90, USH 18/151-Verona Road, STH 15, and USH 10/441.

New bonding for transportation will drop to its lowest level since the 2001-03 biennial budget. The level of bonding provides a manageable level of long-term debt service and coverage ratio. The debt service, as a percentage of revenue, will be lower under this budget than the agency submission due to transferring unencumbered balances of the Petroleum Inspection Fund to the Transportation Fund on an ongoing basis. This transfer will occur only after all existing obligations are satisfied. Outstanding bonds for the Petroleum Environmental Cleanup Fund Award program will be paid off by the close of the biennium. This coupled with surplus balances, will provide an estimated \$431 million in revenue for the Transportation Fund from fiscal year 2019-20 to fiscal year 2026-27.

III. REWARDING WORK

This budget makes numerous changes to reward work and move individuals from government dependence to true independence. The Wisconsin Fast Forward program will see an investment of \$5 million over the base of \$27 million over the biennium. The budget provides incentives to work by increasing the Earned Income Tax Credit for individuals with one dependent child from 4 percent of the federal credit to 11 percent. This has a fiscal impact of \$20.8 million in 2018 and



is estimated to benefit 131,000 filers. The budget reduces the marriage penalty in the Earned Income Tax Credit by creating a honeymoon period of three years for newly married couples. This is estimated to increase this benefit by roughly \$1.5 million over the biennium and benefit 8,000 filers.

The budget also extends the Earned Income Tax Credit at 7.5 percent of the federal credit for filers with one dependent child to noncustodial parents who meet their child support obligations. The budget also creates an employment assistance tax credit for young adults aging out of foster care and supplemental security income. The credit would be set at 125 percent of the federal credit for childless adults and is estimated to have a total benefit of \$725,000 in the biennium and benefit 2,000 filers.

Through this budget, Wisconsin continues the positive reforms to the state's FoodShare Employment and Training program by referring all able-bodied adults. The budget begins piloting mandatory FoodShare Employment and Training program participation for able-bodied adults with school age children. Once these changes are implemented throughout the state, it is estimated they will increase enrollment in the program by roughly 25,000 per year.

Taken together, this budget makes significant investments to improve student success, make government more accountable to taxpayers, and reward work. The investments made in this budget are a result of a "Reform Dividend." The "Reform Dividend" results from hard-fought reforms that are improving Wisconsin's economy, improving the lives of our residents, and ultimately bolstering the state's bottom line.



II. SUMMARY OF GOVERNOR'S MAJOR BUDGET INITIATIVES

A. STUDENT SUCCESS

I. K-12 EDUCATION

- Provide the largest increase in per pupil aid since the creation of the program. The state is investing an additional \$197,417,300 in fiscal year 2017-18 and \$451,474,900 in fiscal year 2018-19, or \$648,892,200 over the biennium, which includes \$10,100,000 in fiscal year 2017-18 and \$20,200,000 in fiscal year 2018-19 to be funded with savings resulting from execution of a contract to self-insure health benefits for state employees. Consequently, per pupil aid payments will increase from \$250 in fiscal year 2016-17 to \$450 in fiscal year 2017-18 and \$654 in fiscal year 2018-19. School districts must certify compliance with 2011 Wisconsin Act 10 before receiving aid, and aid must be directed to individual school buildings.

CHART 1: K-12 AID IS THE HIGHEST IN STATE HISTORY

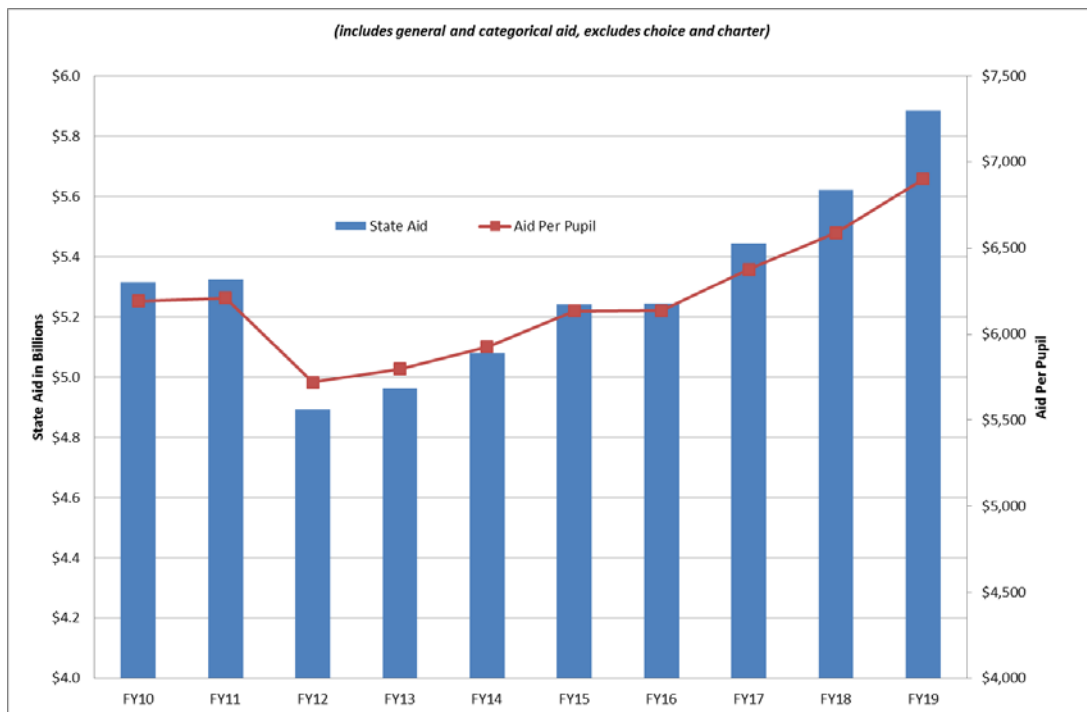


TABLE 1: STATE SUPPORT FOR K-12 EDUCATION
(Millions, FY17-FY19 Estimated)

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
State Aid	\$ 5,462.4	\$ 5,315.3	\$ 5,325.0	\$ 4,893.5	\$ 4,964.4	\$ 5,079.2	\$ 5,241.7	\$ 5,244.5	\$ 5,444.6	\$ 5,641.5	\$ 5,895.6
School Levy Credit	\$ 747.4	\$ 747.4	\$ 747.4	\$ 747.4	\$ 747.4	\$ 747.4	\$ 747.4	\$ 853.0	\$ 853.0	\$ 853.0	\$ 919.0
First Dollar Credit	\$ 75.0	\$ 145.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0
Residential Schools	\$ 11.5	\$ 11.8	\$ 11.8	\$ 11.2	\$ 11.2	\$ 10.8	\$ 10.8	\$ 11.2	\$ 11.2	\$ 11.2	\$ 11.2
Total:	\$ 6,296.3	\$ 6,219.5	\$ 6,234.2	\$ 5,802.1	\$ 5,873.0	\$ 5,987.4	\$ 6,149.9	\$ 6,258.7	\$ 6,458.8	\$ 6,655.7	\$ 6,975.8
Partial Revenues:	\$ 9,574.1	\$ 9,731.9	\$ 9,899.7	\$ 9,398.7	\$ 9,493.2	\$ 9,658.6	\$ 9,872.5	\$ 9,975.9	\$ 10,140.9	\$ 10,536.3	\$ 10,792.0
State Share:	65.8%	63.9%	63.0%	61.7%	61.9%	62.0%	62.3%	62.7%	63.7%	63.2%	64.6%



- State support for K-12 education would rise to the highest level in a decade under this budget.

TABLE 2: K-12 AID INCREASES BY PROGRAM

	<u>FY18</u>	<u>FY19</u>
<u>K-12 Aid Changes to Modified Base Funding</u>		
<i>All Items GPR Supported Unless Indicated</i>		
Per Pupil Aid (<i>base modified to exclude \$126,842,300</i>)	\$168,106,200	\$341,120,000
Equalization Aid		72,750,000
Sparsity Aid	9,961,100	10,119,500
Special Education Transitions incentive Grant	2,500,000	3,400,000
Special Education Transitions Readiness Investment Grant		1,500,000
High Cost Pupil Transportation Aid	5,200,000	5,200,000
Pupil Transportation Aid	46,000	46,000
School Mental Health Categorical Aid		3,000,000
Community and School Mental Health Collaborative Grants		2,500,000
Milwaukee Education Performance Funding		5,645,200
Milwaukee Public Schools Summer School Grants	1,400,000	1,400,000
Technology Infrastructure Bonding	(122,500)	(32,300)
Educational Telecommunications Access (SEG-USF)	13,379,100	5,879,000
School Library Aid	(3,000,000)	(1,000,000)
Total:	\$197,469,900	\$451,527,400
<u>Choice/Charter Funding Changes to Base Funding</u>		
Special Needs Scholarship	\$4,278,000	\$6,218,000
Independent Charter Schools	(9,679,200)	(4,525,600)
Milwaukee Parental Choice Program	5,750,900	15,422,700
Racine and Statewide Parental Choice Programs	5,603,300	15,697,600
Total:	\$5,953,000	\$32,812,700
<u>Changes to Base Funding Aid to Individuals And Organizations</u>		
Bullying Prevention Grants	\$150,000	\$150,000
Newsline for the Blind (SEG-USF)	16,900	35,300
Library Service Contracts (SEG-USF)	3,200	7,100
Very Special Arts	11,700	11,700
Total:	\$181,800	\$204,100
<u>Changes to Administrative Base Funding</u>		
Mental Health Training Support	\$491,300	\$514,100
Licensure Reform (PR)	(753,200)	(1,004,100)
Total:	(\$261,900)	(\$490,000)
Grand Total:	\$203,342,800	\$484,054,200



- Target aid to rural schools to help them provide a high-quality education despite declining enrollment. Investments include: \$9,961,100 in fiscal year 2017-18 and \$10,119,500 in fiscal year 2018-19 for sparsity aid (\$12,328,600 above the Department of Public Instruction's request); \$46,000 in each year plus increases in high mileage and summer school reimbursement rates for pupil transportation; and \$5,200,000 in each year to fully fund high cost transportation aid. Biennially, the budget allocates an additional \$30,572,600 for rural schools under these programs.

TABLE 3: TOTAL ESTIMATED BROADBAND SPENDING

Program	FY18	FY19	Biennium
TEACH Infrastructure grants and Teacher Training grants for school districts	\$16,500,000	\$9,000,000	\$25,500,000
PSC grants (for telecommunications utilities, political subdivisions, or for profit or not for profit organizations)	\$14,000,000	\$1,000,000	\$15,000,000
ESTIMATED TOTAL	\$30,500,000	\$10,000,000	\$40,500,000

- Continue and expand broadband funding and access through transfers in cash balances and statutory changes to the Public Service Commission, the Department of Administration's Technology for Educational Achievement Program, the Department of Natural Resources and the Department of Transportation, for a total \$30,500,000 in fiscal year 2017-18, an estimated \$10,000,000 in fiscal year 2018-19 and an estimated \$40,500,000 for broadband programs over the biennium. This represents an increase of \$34,500,000 for broadband programs over the biennium.
 - Department of Administration's Technology for Educational Achievement Program (TEACH)
 - Extend the TEACH infrastructure grant sunset date to July 1, 2019, and transfer \$7,500,000 from the E-rate cash balance in fiscal year 2017-18 for an additional \$22,500,000 over the biennium for improving information technology infrastructure. This is in addition to the \$1,500,000 already allocated each year for teacher training grants under current law.
 - Allow bus and mobile hot spot devices as an eligible infrastructure expense.
 - Expand the eligibility ratio from 1 to 13 to 1 to 26 in fiscal year 2017-18 to reach more school districts.
 - Consolidate TEACH appropriations to assure funds are fully utilized.
 - Public Service Commission
 - Provide \$6,000,000 of new funding from the Universal Service Fund cash balance and \$5,000,000 from the E-rate cash balance to the Broadband Expansion Grant program in fiscal year 2017-18, and lift the \$1,500,000 annual cap, allowing for total spending of \$14,000,000 in fiscal year 2017-18.
 - Redirect unused funds from other Universal Service Fund appropriations to the Broadband Expansion Grant program and allow the grants and broadband office administration to be funded from underspending in the rate-assessed Universal Service Fund appropriation, for an estimated \$1,000,000 in fiscal year 2018-19.



- Authorize the commission to reserve an amount of grant funds and allow an expedited grant application process for providers receiving federal funding from the Connect America Fund and Alternative Connect America Cost Model.
- Prohibit the Department of Natural Resources from requiring an appraisal or charging a fee prior to granting an easement for the initial issuance of any permit necessary for broadband construction in underserved areas.
- Prohibit the Department of Transportation from charging a fee for the initial issuance of any permit necessary for broadband construction in underserved areas.
- Increase general equalization aid by \$72,750,000 fiscal year 2018-19 to augment state support for schools and hold statewide property tax bills flat.
- Significantly increase the capacity of public schools to address student mental health issues, an issue identified as a critical top priority by school leaders, by providing \$6,500,000 over the biennium. The budget establishes three new programs, requested by the Department of Public Instruction, as follows: (a) \$3,000,000 in fiscal year 2018-19 to support school social work expenditures; (b) \$2,500,000 in fiscal year 2018-19 to support school and community health collaborations; and (c) \$491,300 in fiscal year 2017-18 and \$514,100 in fiscal year 2018-19, as well as 1.0 FTE position, to support training for school employees in trauma-informed care.
- Address the needs of students residing in the Milwaukee Public School District, which has 42 schools (which educate almost one-third of district pupils) failing to meet expectations on the most recent school report card.
- Encourage innovation in and expansion of summer school programs in the Milwaukee Public School district by investing \$1,400,000 in each year for grants to schools with strategies to increase pupil attainment through summer school programs. Students who attend summer school have better academic achievement and graduation rates. This funding will increase the number of summer school sites throughout the district and at all grade levels. The students will receive career-based experiences and be exposed to opportunities for internships and apprenticeships among other benefits. It is estimated to help 700 students per year.
- The budget provides \$5,645,200 in fiscal year 2018-19 to incentivize improvement through a performance-based funding program, available to public, charter, and choice schools.
- Support and expand school district efforts to ensure students with disabilities gain the skills and connections needed for life after high school by including the Department of Public Instruction's suggested \$7,600,000 increase over the biennium for a two-pronged approach: \$2,600,000 in fiscal year 2017-18 and \$3,500,000 in fiscal year 2018-19 to fund awards to school districts that successfully place students with disabilities in employment; and \$1,500,000 fiscal year 2018-19 to support school district efforts to connect students with disabilities to employment.
- Fully fund expected changes in charter, choice, and special needs program participation, and provide families with a voucher that is increased by a per pupil amount of \$217 in each year, which is commensurate with increases in public school categorical aid on a per pupil basis.
- Enhance attainment and college affordability by creating the Early College Credit program, which will combine the current Youth Options and Course Options programs and serve as a



single structure under which students earn college credit while in high school. In addition, the state for the first time will provide financial support for college credit, allocating \$1,150,300 in fiscal year 2017-18 and \$1,753,500 in fiscal year 2018-19 to reduce per credit costs to schools and pupils.

- Create a new Teacher Development Program, which supports collaborations between schools of education (in particular the University of Wisconsin and its Flexible Option Program) and school districts to provide intensive curriculum and classroom training for certain school employees to earn a teaching license. Collaborating entities will be allowed to seek project funds from Wisconsin Fast Forward.
- Reform teacher licensure to reduce the cost of teaching by more than \$750 over a 30-year career and reduce the administrative burden of five-year renewal cycles for teachers and school administrators. Create a perpetual teaching license (except in cases of misconduct) and continue support for a robust educator effectiveness system that provides schools and teachers with regular performance data. In recognition of the reduced workload for the Department of Public Instruction, eliminate 10.0 FTE positions and associated funding.
- Expressly permit school districts to contract with each other or share services to fulfill certain state obligations, including: a staff reading specialist, bilingual-bicultural programs, lifesaving skills instruction, emergency nursing services, school attendance and truancy staff, guidance and counseling, technical preparation programs, and gifted and talented programs.
- Authorize the appointment of an independent fiscal agent for choice schools to enable these schools to receive funds more quickly and efficiently.
- Allocate up to an additional \$10,000,000 from Focus on Energy funds annually or up to \$20,000,000 over the biennium for elementary, secondary, and postsecondary schools in the Focus on Energy program for energy efficiency projects, and prioritize the funding to public elementary and secondary schools.
- Mitigate property tax increases by eliminating the energy efficiency exemption in revenue limits on a going-forward basis. Property tax levies associated with the exemption grew 115 percent in last three years and in calendar year 2016 alone, districts obtained authorization to spend \$327,052,400 above revenue caps. School districts will continue to have the ability to use referenda for these projects.
- Create a "back to school" sales tax holiday effective for two days in both August 2017 and August 2018 for certain school supplies, clothing, and computers. This will save Wisconsin's families an estimated \$11,000,000 in each of these two "back to school" shopping seasons.



II. UNIVERSITY OF WISCONSIN SYSTEM AND FINANCIAL AID

- Continue the commitment to college affordability by requiring an additional year of the resident undergraduate tuition freeze in fiscal year 2017-18, and providing \$35,000,000 to reduce tuition by 5 percent in fiscal year 2018-19. This funding should be allocated among institutions in proportion to the estimated reduction in revenues as a result of the tuition decrease.

TABLE 4: UW SYSTEM UNDERGRADUATE TUITION SAVINGS

Under Governor Walker's Reforms						
<i>Assumes freeze in 2017-18 and 5% cut in 2018-19</i>						
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>Four-Year Cost</u>	<u>Difference</u>
UW-Madison	\$9,273	\$9,273	\$9,273	\$8,809	\$36,628	(\$12,105)
UW-Milwaukee	\$8,091	\$8,091	\$8,091	\$7,686	\$31,959	(\$10,562)
Comprehensives	\$6,723	\$6,723	\$6,723	\$6,387	\$26,556	(\$8,776)
UW Colleges	\$4,750	\$4,750	\$4,750	\$4,513	\$18,763	(\$6,200)
Weighted Average	\$7,143	\$7,196	\$7,196	\$6,836	\$28,371	(\$9,068)
Trend Without Freeze						
<i>Assumes annualized rate of change from 2008-09 to 2012-13 continues at 6.2%</i>						
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>Four-Year Cost</u>	
UW-Madison	\$11,107	\$11,796	\$12,527	\$13,304	\$48,733	
UW-Milwaukee	\$9,691	\$10,292	\$10,930	\$11,608	\$42,521	
Comprehensives	\$8,053	\$8,552	\$9,082	\$9,645	\$35,332	
UW Colleges	\$5,689	\$6,042	\$6,417	\$6,815	\$24,963	
Weighted Average	\$8,533	\$9,062	\$9,624	\$10,220	\$37,439	

- Reward the University of Wisconsin System institutions that perform well on affordability, workforce development, and other state priorities by providing \$21,250,000 in each fiscal year, or \$42,500,000 over the biennium, to the System block grant on a performance basis. Weighted performance categories that identify state priorities, on which all institutions will be scored, include: (a) affordability and attainability, (b) work readiness, (c) student success in state workforce, (d) efficiency, (e) service, and (f) criteria specified by the Board of Regents.
- Require System and the Wisconsin Technical College System Board to ensure that not fewer than 60 core general education course credits are transferable within and between each system institution and technical college without loss of credit toward graduation or completion of a specific course of study. System will also measure the effectiveness of policies for the appropriate transfer of credits between institutions within the System and submit a report to the Legislature that describes any barriers to credit transferability between institutions within the System no later than January 1, 2018.



- Improve college affordability for nontraditional students by providing \$700,000 in fiscal year 2018-19 for financial aid for students in the Flexible Option Program.
- Enhance college options for nontraditional students by requiring the Board of Regents to increase the number of programs offered under the Flexible Option by at least 50 percent over the number offered on the effective date of the bill. These new programs must begin enrolling students by December 31, 2019; be accredited by the Higher Learning Commission; and include one that assists certified nursing assistants in becoming registered nurses and one that assists K-12 teaching assistants or other education paraprofessionals in becoming K-12 teachers.
- Require the System to establish pathways to a three-year degree for 10 percent of programs by January 1, 2018, and 60 percent of programs by June 30, 2020. Students will have the option to choose one of these pathways to save time and money and gain a year of postgraduation earnings. System will also report the number of three-year graduates and percentage of programs for which a three-year degree program is created in its annual accountability report.
- Adjust tuition expenditure authority by \$83,958,300 in each fiscal year, or \$167,916,600 over the biennium, to reflect: (a) changes in enrollments, \$9,659,000; (b) self-supporting program increases, \$15,970,400; (c) differential tuition increases, \$5,869,700; and (d) nonresident and graduate tuition increases, \$52,459,200.
- Require System to create a policy no later than January 1, 2018, that incorporates: (a) a policy for monitoring faculty and adjunct teaching workloads that includes a comprehensive requirement for each faculty and adjunct to report teaching hours to the system; (b) a policy for rewarding faculty and adjuncts who teach more than a standard academic load; (c) updating personnel systems as necessary; (d) collecting and reporting of teaching hour data individually from each faculty member or adjunct; and (e) reporting of aggregate teaching hour data on accountability dashboard.
- Codify the State's commitment to academic freedom and provide \$10,000 in fiscal year 2017-18 for System to review and revise policies related to academic freedom.
- Change the residency requirement for the fee remission program for veterans' spouses and children at System institutions and technical colleges. Remission will apply if the veteran was not a resident of this state when he or she entered the armed forces, but resided in this state for at least five consecutive years immediately preceding registration at a system institution or technical college. Currently the veteran must have been a resident of the state when he or she entered the armed forces in order for spouses and children to get remission.
- Increase transparency to the general public by requiring each System institution to publish on the homepage of its Internet site a "single-page" format report card beginning in fiscal year 2018-19. Require the report cards to summarize the institutions' performance during the prior fiscal year with respect to the performance funding criteria and other metrics determined by the Board of Regents. This will provide a consistent format for students and families to review institutions' performance as they choose an institution of higher education.



- Enhance work readiness by implementing a requirement that undergraduates obtain an internship or work experience in order to earn a bachelor's degree. The Board of Regents should establish policies for determining whether a student has satisfied this requirement. This requirement applies to students first enrolled in the 2018-19 academic year.
- Implement an option for System students to affirmatively opt out of allocable segregated fees at the time the student pays tuition beginning with the 2018-19 academic year. This will allow students the option of whether or not to fund student organizations and select campus activities. Allocable fees are different than nonallocable fees. Nonallocable fees fund long-term fixed financial obligations, operating costs, student unions, health and child care centers, and recreational sports centers. The application of nonallocable fees would be unchanged.
- Transfer authority for all leases of student housing for the University of Wisconsin System from the Department of Administration to the system's Board of Regents. The Board of Regents currently has authority for all other leases of real property by the system.
- Provide \$10,193,900 over the biennium for need-based Wisconsin Grants. These funds may be used by students who enroll at the University of Wisconsin System (UWS), any Wisconsin Technical College System (WTCS) campus, members of the Wisconsin Association of Independent Colleges, and Universities (WAICU), and Tribal schools.

TABLE 5: WISCONSIN GRANTS AT HISTORIC HIGH UNDER GOVERNOR WALKER'S 2017-19 BUDGET PROPOSAL

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
UWS	\$58,345,400	\$58,345,400	\$58,345,400	\$58,345,400	\$58,345,400	\$58,345,400	\$58,345,400	\$60,487,500	\$61,894,100
WTC	18,797,900	18,797,900	18,797,900	20,797,900	18,797,900	19,297,900	19,297,900	20,006,400	20,471,700
WAICU	26,870,300	26,870,300	26,870,300	27,870,300	26,870,300	26,870,300	26,870,300	27,856,800	28,504,600
Tribal	454,200	454,200	454,200	454,200	454,200	454,200	454,200	454,200	454,200
Total	\$104,467,800	\$104,467,800	\$104,467,800	\$107,467,800	\$104,467,800	\$104,967,800	\$104,967,800	\$108,804,900	\$111,324,600

III. WISCONSIN TECHNICAL COLLEGE SYSTEM

- Provide \$5,000,000 in fiscal year 2017-18 to the Department of Workforce Development through Wisconsin Fast Forward for grants to technical colleges to fund collaborative projects among school districts, technical colleges, and businesses to provide high school students with industry-recognized certifications in high-demand fields, as determined by the department.
- Bolster the state's workforce and maintain affordability by implementing a statewide freeze on technical college resident program fees and material fees for two years and provide \$5,000,000 in fiscal year 2018-19 to replace potential program revenues lost due to the residential program fee freeze. Overall revenue per full-time enrollee at technical colleges is at its highest level ever, having risen 20.6 percent over the last five years.



TABLE 6: TECHNICAL COLLEGE SAVINGS FOR STUDENTS

Estimated Yearly Tuition Cost--Freeze vs. without Freeze			
School Year	Resident Tuition with Freeze	Resident Tuition without Freeze	Savings Per Student
2013-14	\$4,154.80	\$4,154.80	-
2014-15	\$4,278.90	\$4,278.90	-
2015-16	\$4,365.60	\$4,365.60	-
2016-17	\$4,431.90	\$4,431.90	-
2017-18**	\$4,431.90	\$4,528.46	\$96.56
2018-19**	\$4,431.90	\$4,615.16	\$183.26

NOTE: Based upon a 68-credit, two year degree with 17 credits per semester.
 **-Estimates a 2.18% increase in program tuition fees for FY18 and 1.91% increase in FY19 if tuition freeze was not instituted

- Prioritize Wisconsin's education and workforce needs by amending the technical college performance-based funding formula to create weighted-scale categories: affordability and attainment, workforce readiness, student success in the workforce, and efficiency.
- Enhance competition and affordability by allowing local technical college districts to implement an in-district tuition rate lower than the statewide residential program fee rate set by the system board. This will allow local districts to reduce tuition for local students that live within the district and compete with neighboring districts.
- Increase accountability by requiring the technical college system board to submit an annual accountability report to the Governor and Legislature. This would treat the technical college system similarly to the University of Wisconsin System in regards to transparency.

IV. WORKFORCE DEVELOPMENT

TABLE 7: WORKFORCE DEVELOPMENT INVESTMENTS

Item	Fund Source	FY18	FY19
Fast Forward - Technical College Competitive Grants	GPR	\$5,000,000	
Fast Forward - Training Grants Increase <i>(employer resource networks, teacher training, apprenticeship, internships, worker training partnerships)</i>	GPR	\$5,000,000	
Fast Forward - Community-based Nursing Training	GPR	\$1,500,000	
Fast Forward - Reentry Mobile or Modular Labs	GPR	\$1,050,000	\$50,000
Early College Credit	GPR	\$1,150,300	\$1,753,500
WTCS Tuition Freeze	GPR	\$5,000,000	\$5,000,000
Total		\$18,700,300	\$6,803,500

- Provide \$45,000 in fiscal year 2017-18 for the development a financial literacy training course for state staff working in county public benefit enrollment centers or job centers to provide targeted individuals with essential information to improve their understanding of financial concepts and, consequently, improve their economic well-being.



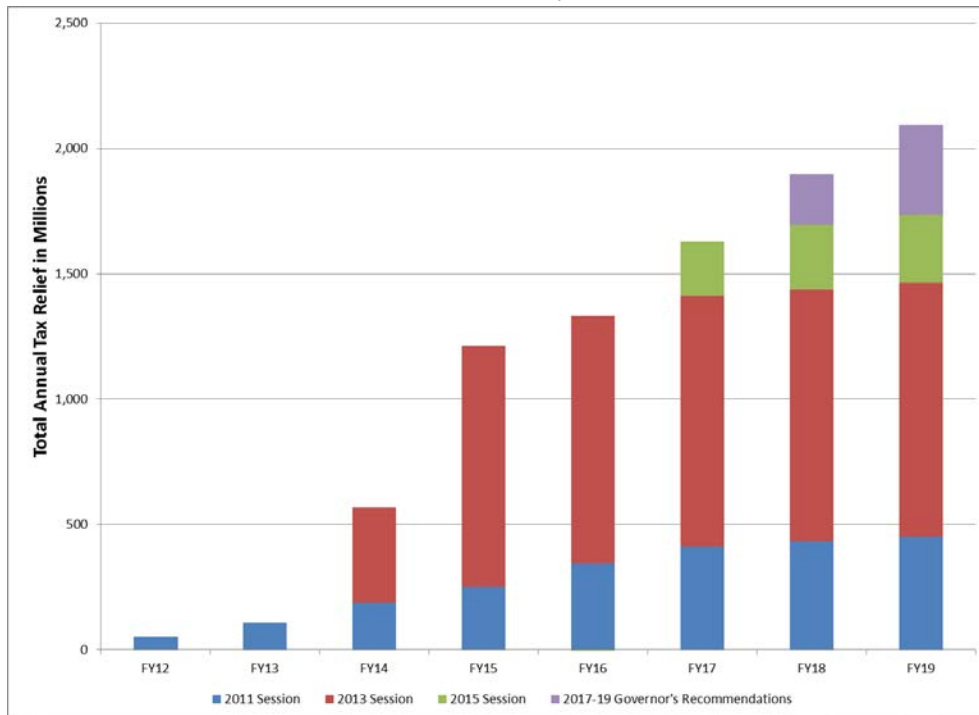
- Transfer the college saving programs and staffing from the Department of Administration to the Department of Financial Institutions to tie the provision of college saving plan information with the department's existing financial literacy efforts.
- Require the Wisconsin Economic Development Corporation to continue its successful Fabrication Laboratories Grant Program at \$500,000 in each fiscal year of the coming biennium.
- Expand the Wisconsin Fast Forward grant program by increasing overall grant funding by \$5,000,000 in fiscal year 2017-18, above overall base funding of \$27,091,800 over the biennium, and add additional eligible projects or programs: (a) registered apprenticeship, (b) training for teachers, (c) transcribed credit and dual enrollment, (d) internship programs, and (e) employee resource networks.
- Provide \$1,500,000 in fiscal year 2017-18 through Wisconsin Fast Forward to provide grants to community-based organizations for public-private partnerships to create and implement nursing training programs for middle and high school students.



B. ACCOUNTABLE GOVERNMENT

- The Governor's 2017-19 biennial budget expands upon the successful tax relief efforts of the preceding three biennia. During the six years ending with fiscal year 2016-17, taxes have been cut by more than \$4,700,000,000. As these existing reductions continue, and as the Governor's proposed reductions take effect, taxes will be cut by at least a cumulative \$8,000,000,000 over eight years ending in fiscal year 2018-19.

**CHART 2: ANNUAL FISCAL EFFECTS OF TAX RELIEF MEASURES
FY12-FY19**



I. PROPERTY TAX CUTS

- The Governor's budget ends the state-portion of the property tax levy – thereby eliminating one source of ongoing property tax increases. This tax, which had gone up each time a property's value increased, will no longer be imposed on Wisconsin property owners.
 - A sum sufficient appropriation, providing an estimated \$88,759,300 in fiscal year 2017-18 and \$91,695,600 in fiscal year 2018-19 will be established to ensure continued funding for forestry programs equal to the amount that the state-levied property tax would have raised – thereby ensuring that state payments to the forestry account in the conservation fund are unaffected by this tax relief action. Ending the state-levied property tax will save the median value homeowner approximately \$27 per year in the near term and more in the future as home values increase.
- Keep the bill for the median value home below its 2014-15 property tax level by increasing the School Levy Tax Credit by \$87,000,000 in fiscal year 2018-19 to pay for credit distributions in the 2017-18 property tax year. This, combined with an increase in school



equalization aids of \$72,750,000 and continued prudent controls on property tax levies, will ensure the Governor's promise of continued property tax relief is achieved.

- Given the Governor's ongoing commitment to hold the line on property taxes, the tax bill for the median value home in December 2018 tax bill is expected to be \$139 lower than the December 2010 tax bill.

CHART 3: PROPERTY TAX BURDENS DECLINING AS PERCENTAGE OF PERSONAL INCOME

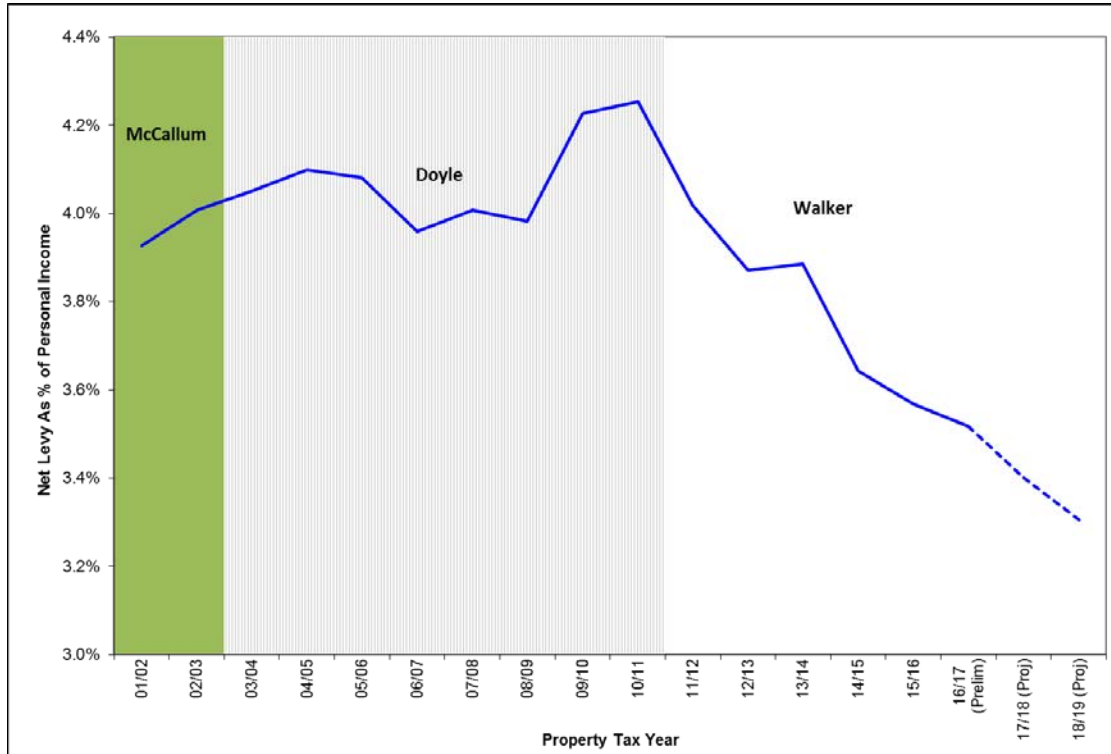
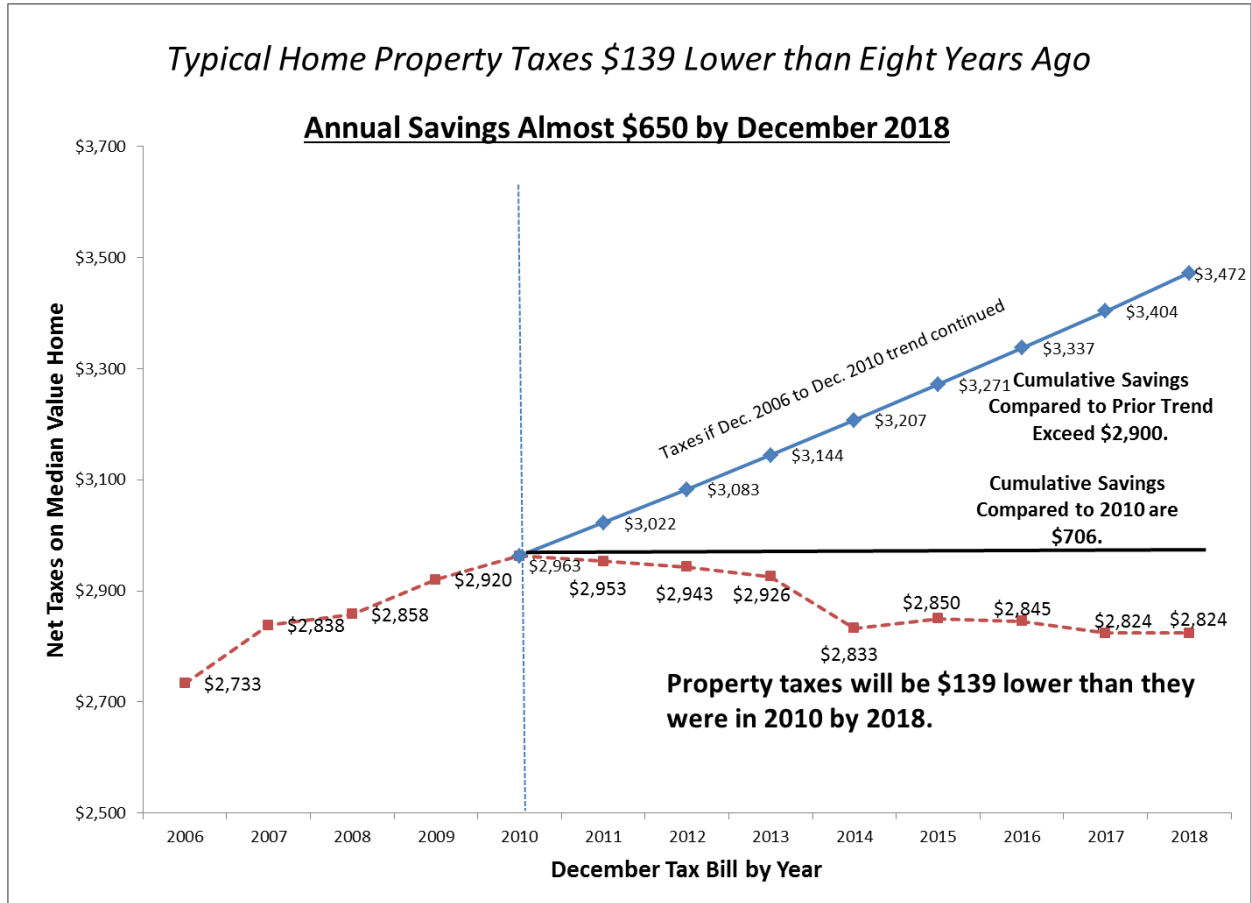




CHART 4: HOLDING THE LINE ON PROPERTY TAXES

Typical Home Property Taxes \$139 Lower than Eight Years Ago

Annual Savings Almost \$650 by December 2018





II. INCOME TAX CUTS

- Cut individual income taxes by \$104,377,800 in fiscal year 2017-18 and by \$99,077,000 in fiscal year 2018-19 by reducing, for all taxpayers, the tax imposed on the first \$37,450 of taxable income for married-joint filers and the first \$28,090 for single filers. This reduction alone will reduce taxes for the median income family of four by \$69 in tax year 2017.
- This income tax reduction is part of a continuing trend to reduce the tax burden on Wisconsin residents and is the third income tax rate reduction since the enactment of the 2013-15 biennial budget bill. As indicated in the table below, the cumulative benefit to Wisconsin taxpayers is considerable, and by tax year 2018 the median-income family of four will have a cumulative benefit of \$1,542.

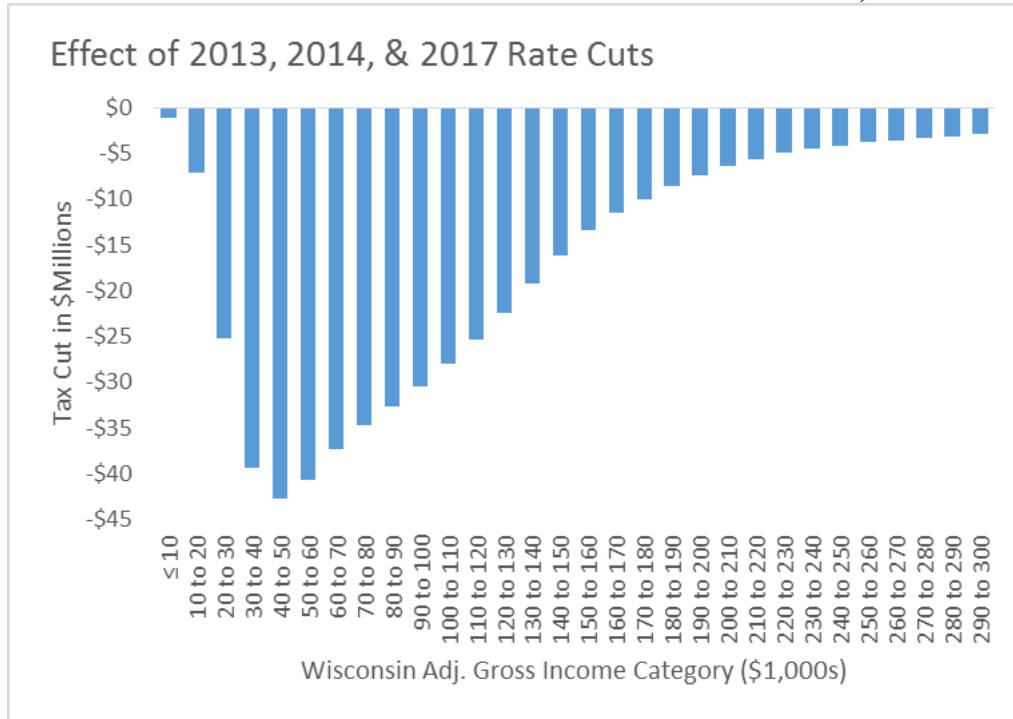
TABLE 8: MEDIAN INCOME FAMILY OF FOUR WILL RECEIVE COMBINED TAX RELIEF OF \$1,542 FROM TAX YEAR 2013 TO TAX YEAR 2018

<i>Median income family</i>	TY13 <u>Reduction</u>	TY14 <u>Reduction</u>	TY15 <u>Reduction</u>	TY16 <u>Reduction</u>	TY17 <u>Reduction</u>	TY18 <u>Reduction</u>	Six Year <u>Total</u>
Rate cuts effective in TY13	-\$186	-\$187	-\$185	-\$184	-\$184	-\$182	-\$1,108
Rate cuts effective in TY14	--	-\$57	-\$59	-\$59	-\$59	-\$61	-\$295
Rate cuts effective in TY17	--	--	--	--	-\$69	-\$70	-\$139
Total	<u>-\$186</u>	<u>-\$244</u>	<u>-\$244</u>	<u>-\$243</u>	<u>-\$312</u>	<u>-\$313</u>	<u>-\$1,542</u>
Percent Reduction	-4.8%	-6.2%	-6.3%	-6.3%	-8.0%	-8.1%	-6.6%

- With the reductions proposed in this budget, income taxes for the median income family of four will have been reduced by 8.1 percent compared to where they were under the tax rates in place before 2013. The reduction in tax liabilities for those with incomes greater than \$100,000 has been only 4.9 percent, by contrast. For those with incomes below \$50,000, the average reduction in tax liabilities has been over 12 percent.
- By tax year 2017, the combined impact of the three income tax rate reductions will be an annualized tax cut of \$545,000,000. Of the \$545,000,000 in tax relief in tax year 2017 alone, 53 percent will be delivered to taxpayers with incomes below \$100,000. The Governor's proposed tax reductions in this budget are especially aimed at the middle class, with almost 69 percent of the benefits going to those with incomes below \$100,000. The following bar chart demonstrates how this effort has benefited all filers with taxable income, especially the middle class.



CHART 5: AVERAGE TAX RELIEF BY INCOME CLASS IN 2018, ALL FILERS



- As illustrated below, the Governor's income tax relief initiatives, including those in this 2017-19 biennial budget bill, have reduced all tax rates, broadened the second bracket to tax more income at a lower rate and collapsed the previous third and fourth bracket into one bracket to also tax more income at a lower rate.

CHART 6: TAX RATE REDUCTION, TAX YEAR 2012 TO TAX YEAR 2017

Rate	Bottom Rate	2nd Rate	3rd Rate	4th Rate	Top Rate
Before	4.60%	6.15%	6.50%	6.75%	7.75%
	↓	↓	↓	↓	↓
After	3.90%	5.74%	6.27%	6.27%	7.65%

Tax Year 2012 thresholds: \$29,960 (between 2nd and 3rd rates), \$37,450 (between 3rd and 4th rates).
 Tax Year 2017 thresholds: \$29,960 (between 2nd and 3rd rates), \$37,450 (between 3rd and 4th rates).
 Note: The 3rd and 4th rates are now identical at 6.27%.



III. TRANSPORTATION

- The Governor's budget invests approximately \$6,100,000,000 in Wisconsin's transportation network during the 2017-19 biennium to improve state highways, bridges, local roads, airports, rail lines, and harbors. Including investments made in this budget, combined with previously authorized funding, Wisconsin has invested more than \$24,000,000,000 since 2010. This is \$3,000,000,000 more than the previous eight-year period.
- This budget contains the most funding ever provided to local governments for local road aids. This increase will provide additional resources to local governments to improve the local infrastructure Wisconsin's citizens use on a daily basis. Combined general transportation aids to counties and municipalities will increase by \$40,072,400 to a total of \$459,733,100 annually beginning in 2018 which represents a 9.5 percent increase over the 2017 aid payments.
- Increase state funding for the Local Roads Improvement program by \$7,000,000 annually and increase the maximum state share for local projects funded with discretionary grants from 50 percent to 60 percent. Increasing this cost share will allow more local governments to participate in the program by lessening the local funding burden.
- Provide an additional \$6,031,500 over the biennium for local bridge improvements.
- As detailed in Table 9, for the 2017-19 biennium, local governments will receive a total increase of \$76,966,700 in state aid and assistance over the 2015-17 biennium from the combined increases in general transportation aids, local road improvement program payments and state funded local bridge improvement assistance program payments. This provides in aggregate for these three programs, an increase of 8.4 percent over the prior biennium. This biennial increase is composed of \$56,935,200 of general transportation aids, \$14,000,000 of local road improvement program payments and, as noted above, \$6,031,500 of state-funded local bridge improvement assistance program payments.
- Allocate \$3,155,703,400 in total funding over the biennium for state highways.
- Provide \$1,705,750,800 in funding over the biennium for the State Highway Rehabilitation program to increase investments in the maintenance/rehabilitation of our current highway system. This proposed allocation would be the largest amount ever provided for this program.
- Provide \$669,865,500 in funding for the Major Highway Development program to ensure all active projects such as USH 18/151, USH 10-441, STH 15, and I-39/90 remain on schedule. This represents an increase of \$107,772,400 over the department's request—nearly 20 percent more.



TABLE 9: LOCAL AIDS AND ASSISTANCE INCREASES

GENERAL TRANSPORTATION AIDS					
	<u>2009-11</u> <u>Biennium</u>	<u>2015-17</u> <u>Biennium</u>	<u>2017-19</u> <u>Biennium</u>	<u>2017-19 vs.</u> <u>2015-17</u>	<u>2017-19 vs.</u> <u>2009-11</u>
Counties	\$202,020,500	\$196,800,400	\$212,667,400	8.1%	5.3%
Municipalities	<u>\$639,535,500</u>	<u>\$642,521,000</u>	<u>\$683,589,200</u>	<u>6.4%</u>	<u>6.9%</u>
Total	\$841,556,000	\$839,321,400	\$896,256,600	6.8%	6.8%
Note: The mileage rate is being increased by 8.5% from \$2,202 to \$2,389 beginning in CY18.					
LOCAL ROADS IMPROVEMENT PROGRAM					
	<u>2009-11</u> <u>Biennium</u>	<u>2015-17</u> <u>Biennium</u>	<u>2017-19</u> <u>Biennium</u>	<u>2017-19 vs.</u> <u>2015-17</u>	<u>2017-19 vs.</u> <u>2009-11</u>
Entitlement	\$32,394,000	\$32,394,000	\$37,066,000	14.4%	14.4%
Discretionary					
County	\$10,254,000	\$10,254,000	\$11,000,000	7.3%	7.3%
City/Village	\$1,953,000	\$1,953,000	\$10,000,000	412.0%	412.0%
Town	<u>\$1,465,000</u>	<u>\$11,465,000</u>	<u>\$12,000,000</u>	<u>4.7%</u>	<u>719.1%</u>
Subtotal	\$13,672,000	\$23,672,000	\$33,000,000	39.4%	141.4%
Total	\$46,066,000	\$56,066,000	\$70,066,000	25.0%	52.1%
LOCAL BRIDGE IMPROVEMENT ASSISTANCE PROGRAM					
	<u>2009-11</u> <u>Biennium</u>	<u>2015-17</u> <u>Biennium</u>	<u>2017-19</u> <u>Biennium</u>	<u>2017-19 vs.</u> <u>2015-17</u>	<u>2017-19 vs.</u> <u>2009-11</u>
State Funds	\$16,918,400	\$16,935,400	\$22,966,900	35.6%	35.8%
Federal Funds	<u>\$48,862,200</u>	<u>\$48,819,200</u>	<u>\$48,727,400</u>	<u>-0.2%</u>	<u>-0.3%</u>
Total	\$65,780,600	\$65,754,600	\$71,694,300	9.0%	9.0%



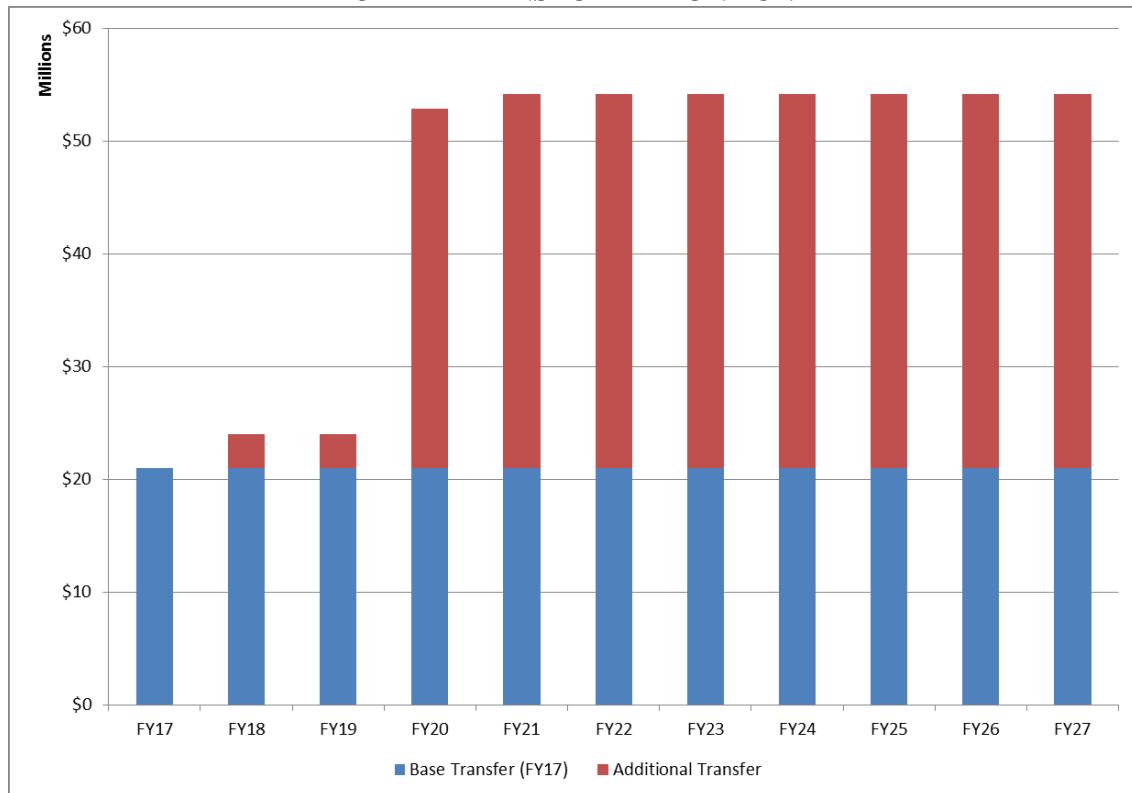
TABLE 10: ACTIVE MAJOR HIGHWAY DEVELOPMENT PROJECT SCHEDULE

Project	Agency Request	Governor's Recommendation
USH 10/441	No delay	No delay
I-39/90	No delay	No delay
USH 18/151- Verona Road.	2 year delay	No delay
STH 15	1 year delay	No delay
*STH 23 is subject to ongoing litigation.		

- Provide a total of \$121,943,200 in funding for the Southeast Megaprojects program to continue construction and ensure the core of the Zoo Interchange project remains on schedule. Funding of \$31,000,000 would also be provided for work on the I-94 North/South project. Combined with funding authorized from fiscal years 2011-12 to 2016-17, \$1,473,543,300 will have been invested into this program over eight years.
- Enhance the Transportation Fund's future revenues by annually depositing to the Transportation Fund, beginning in fiscal year 2019-20, excess revenues from the existing petroleum inspection fee. This action is projected to provide approximately \$107,000,000 for transfer to the Transportation Fund in the 2019-21 biennium and approximately \$431,000,000 from fiscal year 2019-20 to fiscal year 2026-27.



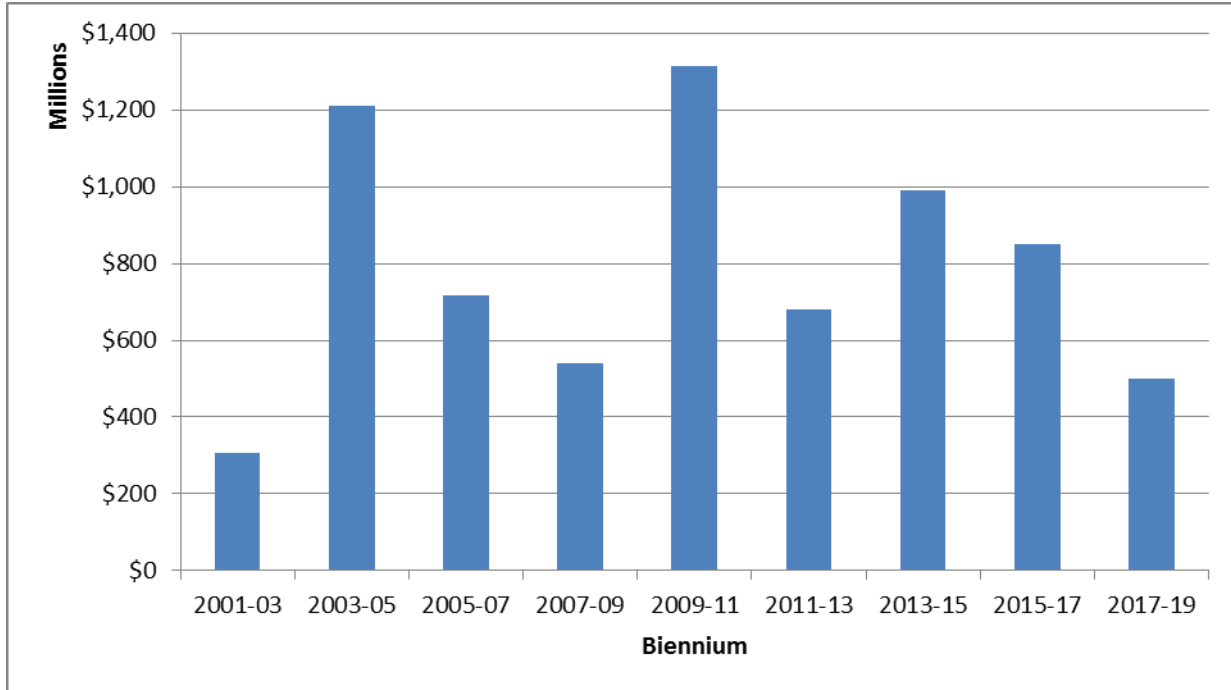
CHART 7: INCREASING THE TRANSFERS FROM THE PETROLEUM INSPECTION FUND TO THE TRANSPORTATION FUND



- Permit the department to use construction manager/general contractor bidding on three pilot projects. This bidding model has already provided cost and time savings in other states that utilize this method for construction projects.
- Provide an additional \$33,733,000 over the biennium for Wisconsin's 72 counties to perform state highway maintenance. Additional work funded by the increase includes pavement marking, shoulder drop-off repairs and pavement preservation. This increase raises the state's contribution for county performed highway maintenance to \$373,733,000 over the biennium.
- Provide an additional \$29,879,200 over the biennium for maintenance work on the state highway system bringing total funding to \$199,211,800 over the biennium—an increase of 18 percent over the prior biennium. Additional activities funded by the increase include pavement marking, rest area/wayside maintenance, lighting and upgrades, signage replacement, and replacement of the department's outdated oversized/overweight permitting system.
- Authorize \$500,000,000 in new bonds for state highways, administrative facilities, harbor improvements and freight rail preservation—the lowest amount of transportation bonding since the 2001-03 biennium.



CHART 8: PROPOSED TRANSPORTATION BONDING WOULD BE LOWEST AUTHORIZED IN A BIENNIAL BUDGET ACT SINCE THE 2001-03 BUDGET



IV. GOVERNMENT REFORM

PRINTING, PUBLISHING AND MAILING EFFICIENCIES

- There are approximately 487 mailing requirements, 83 printing requirements and 88 publishing requirements in state statute. In fiscal year 2014-15, excluding the University of Wisconsin System, state agencies spent \$58,000,000 on printing, mailing and publishing. Including University of Wisconsin System brings the total to over \$100,000,000. Allowing for some of these requirements to be met electronically is expected to generate savings across state agencies as well as other levels of government in the state.
 - Allow an electronic option for all units of government for any statutory printing, publishing, or mailing requirements.
 - Authorize the Department of Administration secretary to waive, for state agencies, the electronic option or the requirement in whole or in part, if the secretary determines that the waiver will reduce spending while keeping information accessible to the public and protecting public health and welfare.
 - The following documents are excluded from the waiver authority and the electronic option: any election documents, facsimile ballot, referenda, notice of public hearing before a governmental body, and notice of meetings of private and public bodies required by law; and a summons, order, citation, notice of sale, or other notice that is intended to inform a person that the person may or shall do an act or exercise a right within a designated period or by a designated date. In addition, the proposal exempts certified or registered mail.



- Centralize all state agency print and mail services at the Department of Administration's Bureau of Publishing and Distribution unless an exemption is approved by the Department of Administration secretary.
- Allow the Department of Safety and Professional Services to reduce printing by utilizing electronic communications. Reduce expenditure authority by \$109,200 PR in fiscal year 2017-18 and \$109,200 PR in fiscal year 2018-19, a total of -\$218,400 PR over the biennium, and authorized positions by 1.0 FTE position to reflect cost savings.
- Reduce expenditure authority in the Department of Administration's postage appropriation by \$826,800 PR-S in each year or \$1,653,600 PR-S over the biennium to account for potential savings generated by a Lean project to reduce postage costs.

OPERATING MORE EFFICIENTLY AND AT A REDUCED COST THROUGH SHARED SERVICES

- Consistent with the provisions of 2015 Wisconsin Act 150 (Civil Service Bill) and the 2015-17 state budget, this budget includes a shared services approach for human resources, procurement and certain information technology functions. The shared services initiative will begin the process to assign various administrative functions to a single entity, allowing individual agencies to focus on their core business missions and avoid redundant efforts on services that can be offered most effectively from a central entity.
- The shared services approach, which goes beyond simple consolidation and is rooted in a formal governance structure and service level agreements with the agencies, has become a commonly used tool to increase cost savings and encourage the most efficient use of resources in both the public and private sectors. A majority of private companies use shared services and it is commonly seen that between 20 to 40 percent in savings can be realized. Notably, the federal government's Office of Management and Budget uses a shared services approach to improve efficiency and increase savings.
- With the implementation of the State Transforming Agency Resources (STAR) Enterprise Resource Planning System, human resources, payroll, benefits, finance, and procurement are integrated for the first time in the state's history. Performance metrics have been developed and can be compared across agencies. At the same time, civil service reform has significantly modified business practices allowing more efficient and effective human resource and payroll functions. Wisconsin is better positioned to implement a robust shared services program than it has ever been.
 - Implement a human resources shared services model, consistent with the provisions of Act 150 by managing the human resources, payroll and benefits functions within the Division of Personnel Management at the Department of Administration through a formal governance structure and service level agreements with most executive branch agencies. Transfer 7.0 FTE vacant human resources positions in fiscal year 2017-18 and an additional 406 FTE human resources positions in fiscal year 2018-19 to the Division of Personnel Management to facilitate program rollout. It is anticipated that this approach will generate savings across the enterprise of \$2,800,000 PR-S in fiscal year 2018-19 as a result of efficiencies and attrition.
 - Reallocate 6.0 FTE vacant positions to the State Controller's Office to better align staffing with workload changes resulting from the implementation of the enterprise resource planning system.



- Additional initiatives further position the state to realize more robust and accountable information technology practices. This will be done through the strategic centralization of remaining state agency servers and information technology purchasing, as well as the addition of an approval layer for purchases above a threshold. Through these efforts, the state can more effectively utilize state information technology resources and develop processes that are not limited by structural silos.
 - Require all state agency information technology servers to be hosted at the Femrite Data Center unless the Department of Administration secretary approves an exemption.
 - Require the Department of Administration secretary to approve all state agency information technology purchases above \$150,000.
 - Transfer 14.5 FTE information technology positions from the Office of the Commissioner of Insurance to the Department of Administration to achieve functional efficiencies. The Department of Administration budget would increase by \$1,344,500 PR-S in each year and \$2,689,000 PR-S over the biennium and would assess the Office of the Commissioner of Insurance for the services provided.
 - Provide additional staffing through the transfer of 1.0 FTE position each from the Department of Workforce Development, the Department of Corrections, the Department of Transportation, the Department of Children and Families, the Department of Natural Resources and the Department of Health Services to the Department of Administration to strengthen information technology services procurement and purchasing and maximize single, integrated solutions when possible.
 - The Department of Workforce Development's budget would be reduced by \$76,600 in each year and \$153,200 over the biennium.
 - The Department of Corrections' budget would be reduced by \$75,100 in each year and \$150,200 over the biennium.
 - The Department of Transportation's budget would be reduced by \$86,100 in each year and \$172,200 over the biennium.
 - The Department of Children and Families' budget would be reduced by \$99,400 in each year and \$198,800 over the biennium.
 - The Department of Natural Resources' budget would be reduced by \$73,400 in each year and \$146,800 over the biennium.
 - The Department of Health Services' budget would be reduced by \$72,700 in each year and \$145,400 over the biennium.
 - The Department of Administration's budget would be increased by \$525,400 PR-S in each year and \$1,050,800 PR-S over the biennium.
 - The budget also modifies procurement and building program thresholds to streamline administrative processes. In addition, the Department of Administration's Division of Enterprise Operations will be directed to identify procurement savings opportunities and enhance collaboration across executive branch agencies by administratively reforming state procurement delegation.
- Formalize an existing arrangement for the provision of financial services by transferring a position from the Department of Tourism to the Department of Administration and providing \$52,300 PR-S annually to the Department of Administration.
- Require the Department of Administration to study the potential consolidation of state facilities staffing in a shared services model and include a request relating to that study in its 2019-21 biennial budget.

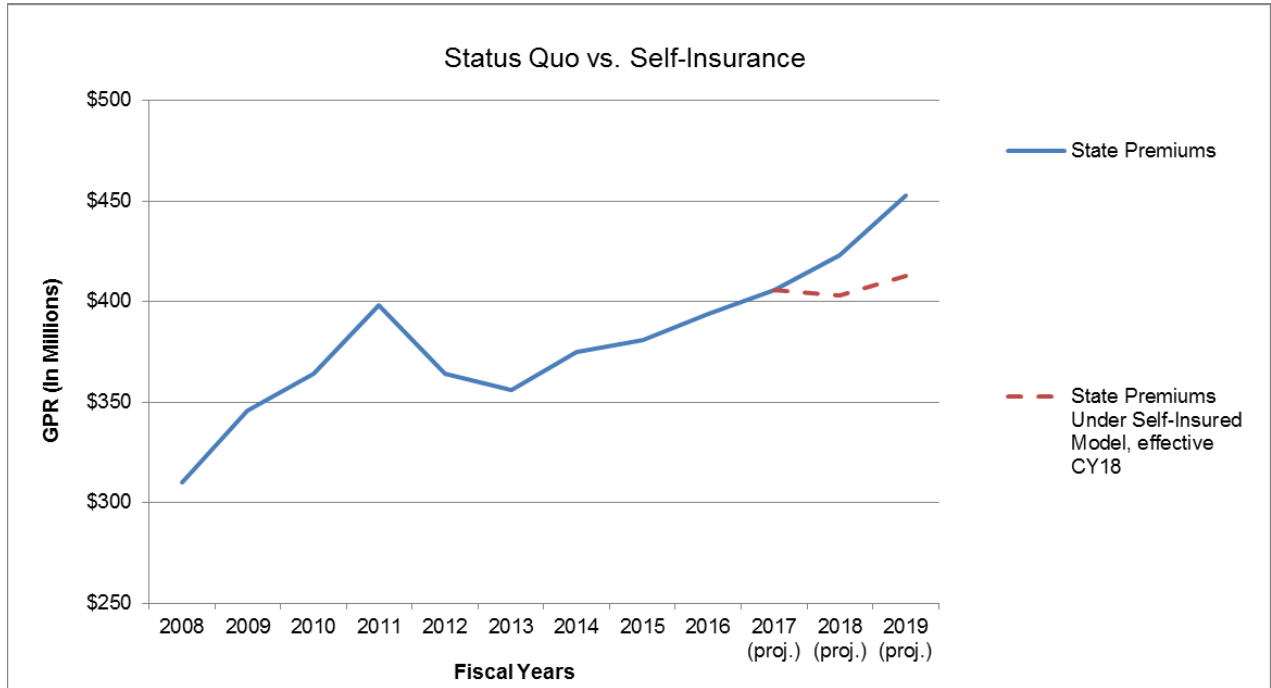


STATE PREMIUM SAVINGS THROUGH SELF-INSURANCE REFORMS

- The Group Insurance Board has been studying the issue of whether to self-insure the current group health insurance program for over two years. Under a self-insured model, employers pay employee health claims directly, via a third party administrator, rather than paying monthly premiums to an insurance company. In order to resolve any questions regarding the magnitude of potential savings, the board directed the Department of Employee Trust Funds staff to develop and execute a detailed Request for Proposal (RFP) for a third party administrator. Based on the bids submitted under this process, the state could see significant savings without noticeable disruption for employees by choosing this option. Self-insurance is a financing mechanism that is used by most large companies, including many health insurance companies. It does not impact quality of care, but the Department of Employee Trust Funds was careful to include many quality performance criteria in the RFP to ensure that there is no negative impact to employees. The budget assumes that the Group Insurance Board will proceed and will send a contract to self-insure to the Joint Committee on Finance for approval as required under current law. The budget reinvests these anticipated savings in K-12 education and helps offset increased salary and fringe benefits costs of University of Wisconsin System and state employees.
 - Transition to a self-insured group health model beginning on January 1, 2018, which is anticipated to save all state agencies \$20,000,000 GPR in fiscal year 2017-18 and \$40,000,000 GPR in fiscal year 2018-19, for a combined total of \$60,000,000 GPR over the biennium. These savings estimates do not include any additional savings related to the Affordable Care Act.
 - Provide funding for expected inflation in fringe benefits costs in each year and funding in fiscal year 2018-19 for general wage adjustments of 2 percent on both September 30, 2018, and May 26, 2019, for state employees in the compensation reserve. Lapse an anticipated \$30,000,000 GPR in savings to the general fund after the Joint Committee on Finance approves the execution of the contract to self-insure healthcare costs for state employees.
 - Commit self-insurance GPR savings of \$10,100,000 in fiscal year 2017-18 and \$20,200,000 in fiscal year 2018-19 for per pupil aid of \$12 in fiscal year 2017-18 and \$24 in fiscal year 2018-19, to bring total per pupil adjustments to \$200 in fiscal year 2017-18 and \$204 in 2018-19. This funding, totaling \$30,300,000 over the biennium, is contingent upon approval by the Joint Committee on Finance of the execution of a self-insurance contract and lapse of related savings to the general fund.
 - Provide funding for expected inflation in fringe benefits costs in each year and funding in fiscal year 2018-19 for general wage adjustments of 2 percent on both September 30, 2018, and May 26, 2019, for University of Wisconsin System employees less anticipated savings as a result of executing, with Joint Committee on Finance approval, a contract to self-insure health care costs for state employees. Net new funding for the University of Wisconsin System is \$126,500 GPR in fiscal year 2017-18 and \$11,517,900 GPR in fiscal year 2018-19.



CHART 9: PROJECTED GPR STATE HEALTH INSURANCE PREMIUM COSTS





C. REWARDING WORK - WISCONSIN WORKS FOR EVERYONE

TABLE 11: WISCONSIN WORKS FOR EVERYONE FUNDING

<u>Category</u>	<u>Item</u>	<u>FY18 AF</u>	<u>FY19 AF</u>
Tax Credits	EITC Increase for Families with One Dependent Child	\$ -	\$ 20,800,000
	EITC Marriage "Honeymoon"	\$ -	\$ 1,500,000
	Foster Care and SSI EITC	\$ -	\$ 724,400
	Homestead Reform		\$ (9,700,000)
	EITC/Homestead Loss Limitation	\$ (1,290,000)	\$ (1,290,000)
FoodShare	Mandatory participation	\$ 2,850,800	\$ 5,648,600
	Universal Referral	\$ 470,400	\$ 29,573,200
Child Care	Eliminate Child Care Cliff	\$ -	\$ 1,962,600
	Strengthen Learnfare	\$ -	\$ -
Education Efforts and Pilots	Early Absenteeism Pilot	\$ -	\$ 500,000
	Early Learning Texting Intervention	\$ 35,000	\$ 60,000
	Reducing Summer Melt Pilot	\$ -	\$ 118,800
	Pilot Grants Position	\$ 64,900	\$ 86,600
	Early Absenteeism and Public Benefits Study	\$ -	\$ -
	Home Visiting Expansion	\$ 3,900,000	\$ 3,900,000
Strengthening Families	Academic and Career Planning Enhancement	\$ 50,000	\$ -
	Public Messaging Campaign	\$ 400,000	\$ 600,000
Enhancing Child Support	FoodShare Child Support Requirement	\$ 1,172,300	\$ 185,800
	Supporting Parents Supporting Kids Demonstration	\$ -	\$ 928,600
	Continued Funding for SPSK Counties (Brown and Kenosha)*	\$ 200,000	\$ -
Housing Assistance	Noncustodial Parent EITC for Timely Child Support	\$ -	\$ 230,000
	WHEDA voucher work requirement	\$ -	\$ -
Homelessness	WHEDA voucher optional case management services	\$ -	\$ -
	TANF Shelter Grants	\$ 500,000	\$ 500,000
Workforce Development	Better Way Grants	\$ 75,000	\$ 75,000
	Occupational Licensing Reform	\$ -	\$ -
	Employer Resource Networks	\$ -	\$ -
	Unemployment Insurance Social Impact Bond Feasibility Study	\$ 50,000	\$ -
	Medicaid Purchase Plan Reforms	\$ 901,200	\$ 3,203,900
Eligibility and Administration	Employment and Training Services to Medicaid Childless Adults	\$ 3,216,000	\$ 16,511,000
	Substance Abuse Screening/Testing for New Applicants	\$ -	\$ -
Offender Reentry	Asset Limit in FoodShare and Child Care	\$ 118,200	\$ 3,589,800
	Prison Mentorship Pilot Program	\$ 252,400	\$ 303,000
	Windows-to-Work	\$ 250,000	\$ 250,000
	Corrections Vocational Training Programs Expansion	\$ 750,000	\$ 750,000
	Work Release Program	\$ -	\$ -
	Mobile Labs through Wisconsin Fast Forward	\$ 1,050,000	\$ 50,000
	Create Apprenticeship Coordinator	\$ -	\$ -
Offender Reentry Demonstration Project	\$ 187,500	\$ 250,000	
Total		\$ 15,203,700	\$ 81,311,300

Additional administrative actions that do not require budget action are not included in this table.



Through the Wisconsin Works for Everyone initiative, changes in the following areas are aimed at helping all Wisconsinites more toward self-sufficiency through work:

TAX CREDITS

- Increase the rate of the Wisconsin Earned Income Tax Credit for filers with one dependent child from 4 percent to 11 percent of the federal Earned Income Tax Credit beginning with tax year 2018. This modification will narrow the difference in state benefits between smaller families and larger families. The credit change will provide \$20,800,000 in fiscal year 2018-19 to over 131,000 low and moderate income families.
- Establish a "honeymoon" provision in the Wisconsin Earned Income Tax Credit to reduce the marriage disincentives under the credit, allowing recently-married filers under the Wisconsin Earned Income Tax Credit to claim the larger of what they claimed in the tax year prior to marriage or what they can claim in the current tax year under current rules. Married couples will be eligible for this benefit for up to three consecutive tax years beginning with tax year 2018. This provision is expected to provide \$1,500,000 in tax credits to 8,000 filers in its first year. Eventually this program is expected to benefit as many as 24,000 filers annually at a projected annual cost of \$6,000,000.
- Encourage and reward work in at-risk segments of the labor market by creating the Young Adult Employment Assistance Credit for those who have aged out of foster care or lost Supplemental Security Income benefits due to the age 18 redetermination within the prior three years. The credit is equal to 125 percent of what the filers could claim under the federal Earned Income Tax Credit for childless adults disregarding the age limitations under the federal credit. This new credit will provide \$724,400 in benefits to approximately 2,000 filers when it begins in tax year 2018.
- Restore and strengthen the Homestead Credit to its original intent by providing support to seniors and disabled Wisconsinites. For those age 62 or older or who are disabled, the Homestead Credit's parameters would be indexed to inflation in tax year 2018 to ensure that the credit's value is not eroded by inflation for those on fixed incomes. This enhancement to the Homestead Credit is expected to increase credit payments to those populations by \$2,500,000 in fiscal year 2018-19.
- Outside those populations, the credit will be modified to incorporate a tie to earned income, like the Earned Income Tax Credit. This will ensure that the Homestead Credit rewards and encourages employment for those who are able. These modifications will first take effect in tax year 2018 and are expected to reduce Homestead Credit expenditures by \$12,200,000 annually.
- Ensure that the Homestead Credit and Earned Income Tax Credit are only paid to those who are truly in need by establishing a disqualification for potential claimants with business and investment losses in excess of \$15,000 in the tax year they are attempting to claim either credit. An exemption would be made for small family farms. This limitation is expected to reduce expenditures under the two credits by a combined \$1,290,000 annually in both fiscal year 2017-18 and fiscal year 2018-19.



FOODSHARE

- Provide \$3,321,200 in fiscal year 2017-18 and \$35,221,800 in fiscal year 2018-19 and 1.5 FTE positions to strengthen employment and training services for adults receiving FoodShare benefits by: (a) automatically referring all able-bodied adults with children below the age of 18, or who are caring for an incapacitated person, to the FoodShare Employment and Training (FSET) program with the goal of encouraging voluntary participation among those who may find it beneficial and (b) requiring participation in FSET for certain able-bodied and unemployed or underemployed FoodShare recipients with school-age children in a select number of counties. Under these two initiatives, as many as 80,000 Wisconsinites will be provided an opportunity to participate in employment and training.

CHILD CARE

- Eliminate the child care cliff which creates a disincentive to work more hours or accept a raise by providing child care subsidies to families participating in Wisconsin Shares whose income rise above 200 percent of federal poverty level but with copayments that increase \$1 for every \$3 in additional income. The estimated cost associated with this change is \$1,962,600 Temporary Assistance for Needy Families (TANF) funding in fiscal year 2018-19.

EDUCATION EFFORTS AND PILOTS

- Strengthen Learnfare with additional tools to encourage regular school attendance by allowing benefits to be sanctioned if a family is noncompliant with case management in efforts to address attendance issues, and the Learnfare-eligible student is either habitually truant or unenrolled in school. Currently, sanctions can only be levied for nonenrollment.
- Create a performance-based, two-year pilot grant program targeted at schools with high rates of chronic absenteeism in early grades that will support school-led innovations aimed at improving attendance of young students. Funding for grants would total \$500,000 TANF in fiscal year 2018-19.
- Create a two-year, text message-based intervention pilot program for four-year-old preschool students in Head Start programs to improve early learning and equip parents with additional tools to boost their children's learning at home. Funding would be \$35,000 TANF in fiscal year 2017-18 and \$60,000 TANF in fiscal year 2018-19, for a biennial total of \$95,000.
- Create a two-year, text message-based intervention pilot program for high school seniors who intend to go on to college in order to maximize the number who actually attend postsecondary education in the fall, referred to as reducing "summer melt." The pilot would be funded at \$118,800 GPR in fiscal year 2018-19.
- The two-year pilot programs will be administered by a 1.0 FTE four-year project position created under the budget.
- Require the Departments of Children and Families, Public Instruction, Health Services and Workforce Development to study the population overlap of public benefit programs and chronic absenteeism among students.



STRENGTHENING FAMILIES

- Provide \$3,900,000 additional TANF funding annually to the state's home visiting program to expand the number of families served and increase the number of parents equipped with the tools needed to improve chances of success for parents and their children. Program funding would total \$14,297,700 all funds in each fiscal year and \$28,595,400 over the biennium.
- Incorporate the "Success Sequence" into the Academic and Career Planning program to provide students with a more robust understanding of the long-term, financial implications of the order in which key life decisions are made. Provide \$50,000 one-time TANF funding in fiscal year 2017-18 for content development.
- Implement a public messaging campaign around the "Success Sequence" and the importance of sequencing education, work, marriage and childbearing, and emphasizing the role of fathers in their children's lives. The campaign would be funded at \$400,000 TANF in fiscal year 2017-18 and \$600,000 TANF in fiscal year 2018-19, totaling \$1,000,000 over the biennium.

ENHANCING CHILD SUPPORT

- Reinstate the child support requirement for FoodShare, so both parents are asked to support their children as a condition of receiving benefits. Provide \$1,172,300 all funds in fiscal year 2017-18 and \$185,800 all funds in fiscal year 2018-19 and 1.0 FTE position for systems changes to implement the requirement.
- Continue funding for Brown and Kenosha counties for the existing Supporting Parents Supporting Kids program by providing \$200,000 all funds in fiscal year 2017-18. Provide \$553,636 all funds in fiscal year 2018-19 to administer a five-county child support demonstration program to expand an enhanced Supporting Parents Supporting Kids model that provides work, employment training, and parenting services to low-income noncustodial parents to get a job in order to fulfill financial obligations to his or her child. Grants in fiscal year 2018-19 are anticipated to total \$375,000, funded by existing child support program revenue. With the anticipated federal match, funding for the demonstration program over the biennium will total \$938,600 all funds.
- Extend the Wisconsin Earned Income Tax Credit to low and moderate income noncustodial parents who pay their current child support on time and in full throughout the year. The credit will be equal to 2/3 percent of the amount that a single parent with one child can claim under the state Earned Income Tax Credit, or a 7.5 percent match on the federal Earned Income Tax Credit. This change will take effect in tax year 2018 and provide \$230,000 annually in benefits to eligible filers.

HOUSING ASSISTANCE

- Authorize the Wisconsin Housing and Economic Development Authority to request a waiver from the U.S. Department of Housing and Urban Development to pilot employment, training or self-sufficiency programming requirements for certain able-bodied adult recipients of Housing Choice Vouchers. Any associated costs will be reallocated within the authority's base resources.



- Authorize the Wisconsin Housing and Economic Development Authority to implement voluntary self-sufficiency services in coordination with other organizations for Housing Choice Voucher recipients. Any associated costs will be reallocated within the authority's base resources.

HOMELESSNESS

- Pilot a homelessness employment program based on Albuquerque's "Better Way" initiative to provide homeless individuals with work experience and work routine through jobs cleaning up municipal parks and public spaces with a goal of transitioning them into permanent employment. Provide \$75,000 GPR in each year or \$150,000 GPR over the biennium to a Wisconsin municipality to pilot the program, with a \$50,000 matching grant requirement.
- Provide ten \$50,000 grants funded by TANF funds to homeless shelters for intensive case management services for homeless families, with a focus on financial management counseling, continued school enrollment for children, connecting parents who are job training graduates or who have a recent work history with their local workforce development board to employment, and enrolling unemployed or underemployed parents in W-2 or FSET. Provide \$500,000 in each year or \$1,000,000 over the biennium.

WORKFORCE DEVELOPMENT

- Establish an Occupational Licensing Review Council to remove barriers to employment caused by excessive regulation. The council will recommend reforms to occupational licenses that will ensure that public health and safety are protected, while reducing needless regulations that prevent people from achieving gainful employment.
- Require the Department of Administration to issue a report for any proposed new occupational license before the Legislature may approve it. The report will review proposed licenses to ensure that they meet a public health and safety need, without being overly burdensome to individuals seeking employment.
- Allow Fast Forward funding, which is increased by \$5,000,000 over the biennium, to be used for the establishment of employer resource networks for the purpose of increasing the retention and growth of workers with barriers.
- Repurpose funds over the biennium to conduct a feasibility study regarding the use of a social impact bond model to fund a program to assist unemployment insurance claimants receiving insurance benefits with relocation to areas with enhanced employment opportunities.
- Strengthen the work requirement and eliminate the premium cliff in the Medicaid Purchase Plan program to provide incentives for people with disabilities to engage in meaningful work. By requiring a monthly premium for all enrollees, the current premium cliff is eliminated and program participants have greater incentive to participate in meaningful work. Enrollees will also be required to show proof of paid employment, substantial in-kind work, or participation in preemployment programming in order to be eligible for this additional support. The department is provided with \$901,200 all funds in fiscal year 2017-18 and \$3,203,900 all funds in fiscal year 2018-19 and 3.0 FTE positions to implement these reforms.



- Increase investment in employment and training services for childless adult Medicaid participants and institute a requirement that those not employed or who are underemployed participate in available services. Approximately 49,200 enrollees will be referred to employment and training services and the Department of Health Services is provided with \$1,608,000 GPR and \$3,216,000 all funds and 2.0 FTE positions in fiscal year 2017-18 and \$8,255,500 GPR and \$16,511,000 all funds and 24.0 FTE positions in fiscal year 2018-19 to provide these services.

ELIGIBILITY AND ADMINISTRATION

- Implement a \$25,000 liquid asset limit in Wisconsin Shares and FoodShare to focus assistance on those most in need. Associated costs for the Department of Health Services to implement this requirement are \$118,200 all funds in fiscal year 2017-18 and \$3,589,800 all funds in fiscal year 2018-19, for a biennial total of \$3,708,000.
- Identify and treat barriers to employment caused by substance abuse by requiring most new Wisconsin Works applicants to participate in substance abuse screening, testing and, if necessary, treatment. Enable the department to expand the screening process through administrative rules.

OFFENDER REENTRY

- Create a prison mentorship pilot program for inmates who will be released from prison in 6 to 12 months. This reentry program would facilitate interactions between inmates and citizen volunteers. Provide 5.0 FTE positions and \$252,400 GPR in fiscal year 2017-18 and \$303,000 GPR in fiscal year 2018-19.
- Expand the Windows-to-Work and vocational training programs by \$1,000,000 GPR in fiscal year 2017-18 and \$1,000,000 GPR in fiscal year 2018-19 so that offenders have skills necessary for employment upon reentry to society.
- Expand opportunities for inmates within six months of release to be housed at county jails in order to participate in work-release and related employment programs.
- Provide \$1,050,000 GPR in fiscal year 2017-18 and \$50,000 GPR in fiscal year 2018-19 through Wisconsin Fast Forward to expand the mobile classroom program and provide job skills training for inmates at correctional facilities who are preparing for reentry into the workforce.
- Create an apprenticeship coordinator within the Department of Workforce Development to expand apprenticeship opportunities for inmates in correctional facilities.
- Create a five-year offender reentry demonstration project using a trauma-informed approach and targeted to formerly incarcerated males who are noncustodial parents over age 18 and returning to certain Milwaukee neighborhoods. Temporary Assistance for Needy Families (TANF) funding would total \$187,500 in fiscal year 2017-18 and \$250,000 in fiscal year 2018-19, for a biennial total of \$437,500.

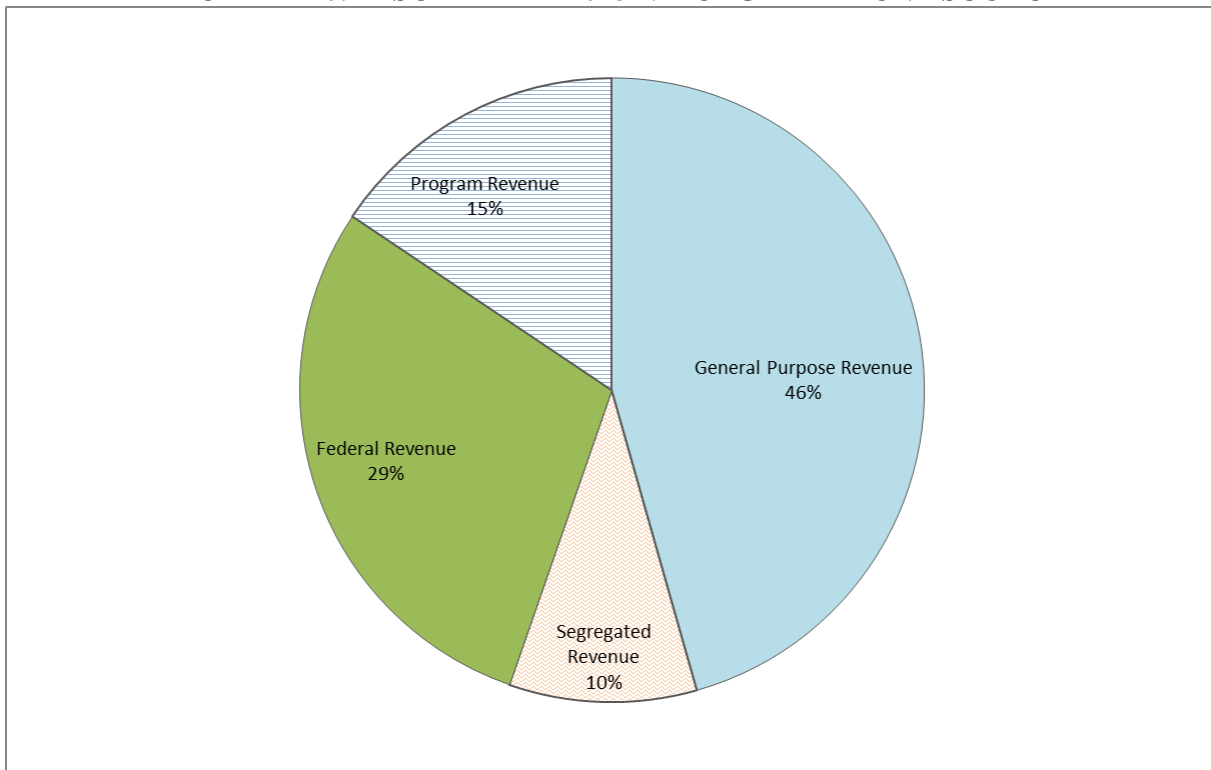


III. STATE BUDGET OVERVIEW

A. EXPENDITURES

The Governor recommends an operating budget of \$37,456,721,100 in fiscal year 2017-18 and \$38,641,159,500 in fiscal year 2018-19. These figures include all four major funding sources and all state agencies and programs (see Chart 10). On an annual basis, the Governor's all funds budget for fiscal year 2017-18 represents an increase of \$371,097,200 (1.0 percent) over the fiscal year 2016-17 adjusted base, and the budget for fiscal year 2018-19 represents an increase of \$1,184,438,400 (3.2 percent) compared with fiscal year 2017-18.

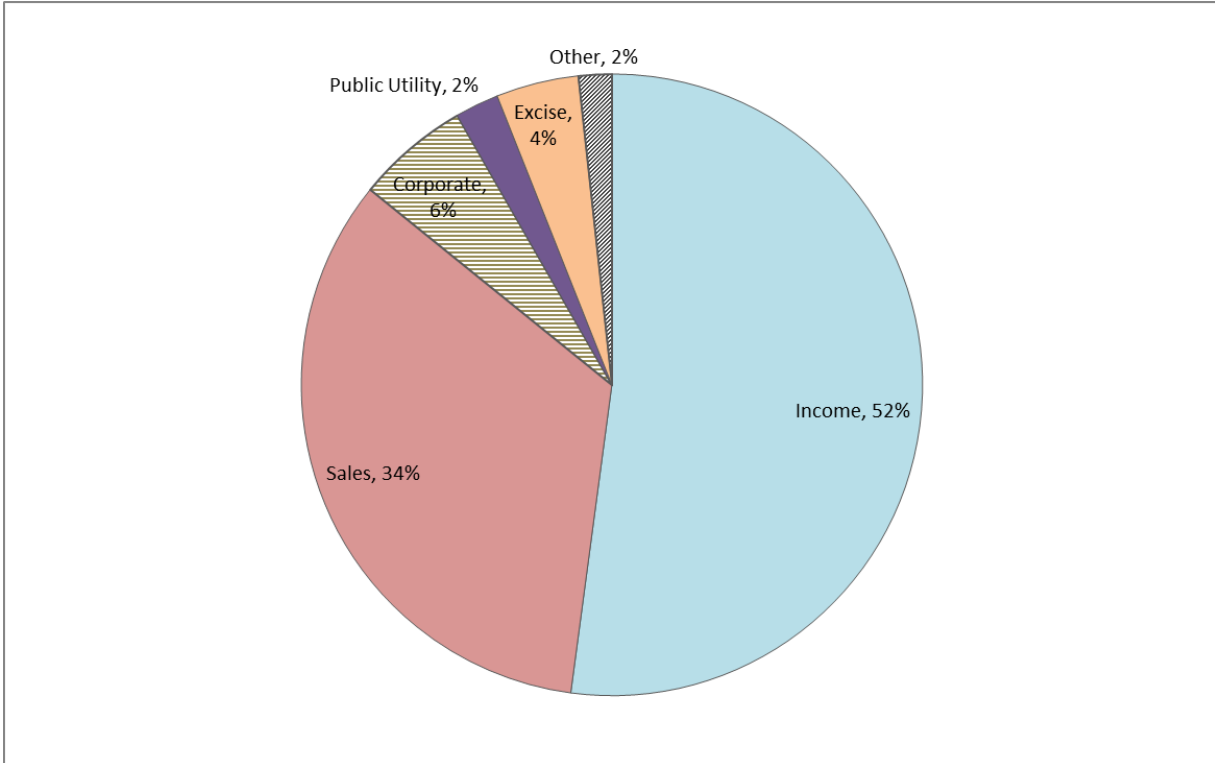
CHART 10: FISCAL YEAR 2018-19 BUDGET BY FUND SOURCE





The largest portion of the state budget is funded from general purpose revenue (GPR), which includes the individual income tax, state sales tax, corporate income tax and various other taxes (see Chart 11).

CHART 11: FISCAL YEAR 2018-19 GPR TAX REVENUE BY TYPE



Federal revenues (PR-F or SEG-F) are the second-largest source of funds in the state budget. The amounts budgeted represent state agency estimates of the various federal program grants expected to be received. Corresponding state matching dollars, where applicable, are budgeted in the other state funding sources. Since it is not possible to predict future congressional budget action, the Governor's budget generally assumes no changes in federal funding except where noted.

Program revenue (PR-O) is received from user fees that finance specific activities such as public utility regulation, agricultural commodity inspections and State Fair Park admissions. Program revenue is generally budgeted to reflect the anticipated demand for these activities.

Segregated revenues (SEG-O) include revenues from such sources as the motor fuel tax, hunting and fishing license fees, and lottery ticket sales. These revenues are deposited in segregated funds such as the Transportation Fund, Conservation Fund and Lottery Fund, which are credited with any interest they earn. Segregated revenues can only be used for specific purposes and are not general revenues of the state, but segregated revenue fund balances had historically been lapsed to the general fund. The Governor's 2011-13 budget halted this practice.

The Governor recommends a GPR budget of \$16,899,232,700 in fiscal year 2017-18 and \$17,619,118,300 in fiscal year 2018-19. On an annual basis, the Governor's GPR budget for fiscal year 2017-18 is a spending decrease of \$133,701,700 (-0.8 percent) over the fiscal year



2016-17 base, and for fiscal year 2018-19 is a spending increase of \$719,885,600 (4.3 percent) over fiscal year 2017-18.

TABLE 12: LARGEST BIENNIAL GPR INCREASES OVER BASE
(\$ in millions)

Department of Public Instruction	\$418
Department of Health Services	387
Shared Revenue and Tax Relief	242
University of Wisconsin System	77
All Other Changes	<u>-671</u>
TOTAL	\$453

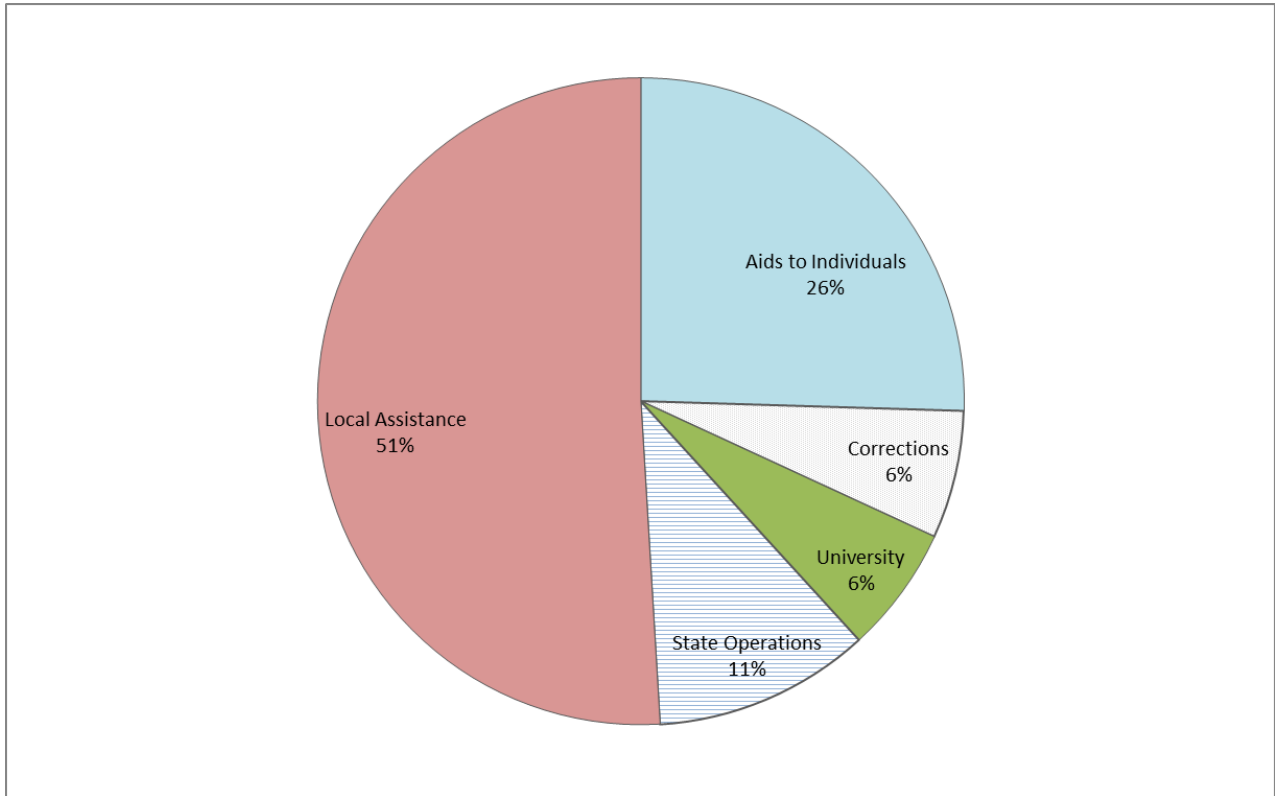
TABLE 13: TEN LARGEST GENERAL PURPOSE REVENUE PROGRAMS
(\$ in millions)

	<u>FY19 Budgeted</u>	<u>Percent of Total</u>	<u>Cumulative Percent</u>
General and Categorical School Aids	\$6,201.9	35.2%	35.2%
Medical Assistance and Related Programs	3,172.1	18.0%	53.2%
State Property Tax Credits and Relief	1,181.7	6.7%	59.9%
Corrections	1,127.3	6.4%	66.3%
University of Wisconsin System	1,115.5	6.3%	72.6%
Shared Revenue	823.1	4.7%	77.3%
Technical College System Aid	524.5	3.0%	80.3%
Community and Social Service Aids	321.9	1.8%	82.1%
Homestead, Earned Income and Other Tax Credits	211.3	1.2%	83.3%
Supplemental Security Income Program, State Supplement	<u>163.1</u>	<u>0.9%</u>	<u>84.2%</u>
Top Ten Program Total	\$14,842.4	84.2%	84.2%
Debt Service (not included above)	295.6	1.7%	85.9%
Debt Service for Appropriation Obligation Bonds	413.2	2.3%	88.3%
All Other Programs	<u>2,067.9</u>	11.7%	100.0%
GPR Total	\$17,619.1		

Detail may not add due to rounding.



CHART 12: FISCAL YEAR 2018-19 GPR BUDGET ALLOCATION BY PURPOSE





I. SUMMARY OF ALL FUNDS APPROPRIATIONS BY AGENCY

Governor's Recommendations - FY18				
	<u>FY17 Base</u>	<u>FY18 Recommended</u>	<u>Change From Base (Amt)</u>	<u>Change Percent</u>
Administration	1,334,822,200	920,451,400	-414,370,800	-31.0
Agriculture, Trade and Consumer Protection	98,010,000	95,268,600	-2,741,400	-2.8
Board for People w/ Develop. Disabilities	1,401,000	1,467,500	66,500	4.7
Board of Commissioners of Public Lands	1,636,200	1,678,000	41,800	2.6
Board on Aging and Long-Term Care	3,154,500	3,433,200	278,700	8.8
Budget Stabilization Fund	0	0	0	0.0
Building Commission	33,132,400	37,813,700	4,681,300	14.1
Child Abuse and Neglect Prevention Bd.	3,041,200	3,158,300	117,100	3.9
Children and Families	1,287,312,700	1,282,550,100	-4,762,600	-0.4
Circuit Courts	97,703,000	101,793,200	4,090,200	4.2
Corrections	1,218,756,800	1,242,261,800	23,505,000	1.9
Court of Appeals	10,706,500	11,149,700	443,200	4.1
District Attorneys	48,383,400	47,949,900	-433,500	-0.9
Educational Communications Board	19,415,500	18,957,500	-458,000	-2.4
Elections Commission	5,069,400	4,446,600	-622,800	-12.3
Employee Trust Funds	45,306,100	46,015,900	709,800	1.6
Employment Relations Commission	1,536,900	1,131,100	-405,800	-26.4
Environmental Improvement Program	26,630,900	25,268,100	-1,362,800	-5.1
Ethics Commission	1,425,800	1,330,300	-95,500	-6.7
Financial Institutions	18,809,300	18,410,100	-399,200	-2.1
Fox River Navigational System Authority	125,400	125,400	0	0.0
Governor's Office	3,976,500	3,710,700	-265,800	-6.7
Health and Educational Facilities Authority	0	0	0	0.0
Health Services	11,593,550,100	11,873,224,800	279,674,700	2.4
Higher Educational Aids Board	140,990,200	140,808,300	-181,900	-0.1
Historical Society	23,579,900	29,222,400	5,642,500	23.9
Insurance	110,666,700	110,842,500	175,800	0.2
Investment Board	53,499,600	53,499,600	0	0.0
Judicial Commission	301,900	0	-301,900	-100.0
Judicial Council	111,400	0	-111,400	-100.0
Justice	128,058,500	137,316,500	9,258,000	7.2
Kickapoo Reserve Management Board	918,700	968,400	49,700	5.4
Labor and Industry Review Commission	3,177,100	1,719,400	-1,457,700	-45.9
Legislature	77,201,100	76,460,900	-740,200	-1.0
Lieutenant Governor's Office	287,100	382,100	95,000	33.1
Lower Fox River Remediation Authority	0	0	0	0.0
Lower Wisconsin State Riverway Board	227,400	224,300	-3,100	-1.4
Medical College of Wisconsin	10,423,000	10,180,100	-242,900	-2.3
Military Affairs	106,737,200	109,309,700	2,572,500	2.4
Miscellaneous Appropriations	125,172,600	144,812,000	19,639,400	15.7
Natural Resources	562,214,000	547,609,000	-14,605,000	-2.6
Program Supplements	33,373,400	10,841,000	-22,532,400	-67.5
Public Debt	0	0	0	0.0
Public Defender Board	85,968,500	86,510,500	542,000	0.6
Public Instruction	6,891,032,100	6,957,665,700	66,633,600	1.0
Public Service Commission	27,478,400	42,528,600	15,050,200	54.8
Revenue	212,081,500	210,504,300	-1,577,200	-0.7
Safety and Professional Services	51,409,700	53,729,000	2,319,300	4.5
Secretary of State	268,400	265,700	-2,700	-1.0
Shared Revenue and Tax Relief	2,516,679,100	2,602,599,900	85,920,800	3.4
State Fair Park Board	23,955,500	25,331,000	1,375,500	5.7
Supreme Court	29,511,200	32,016,200	2,505,000	8.5
Technical College System Board	558,204,900	562,240,800	4,035,900	0.7
Tourism, Department of	17,242,000	16,981,700	-260,300	-1.5
Transportation	2,802,762,300	3,018,383,200	215,620,900	7.7
Treasurer	173,300	113,500	-59,800	-34.5
University of Wisconsin System	6,097,451,600	6,193,559,300	96,107,700	1.6
Veterans Affairs	142,705,900	142,266,100	-439,800	-0.3
Wisconsin Artistic Endowment Found.	0	0	0	0.0
Wisconsin Economic Development Corp.	35,250,700	35,250,700	0	0.0
Wisconsin Housing and Economic Dev.	0	0	0	0.0
Workforce Development	362,603,200	360,982,800	-1,620,400	-0.4
TOTALS	37,085,623,900	37,456,721,100	371,097,200	1.0



Governor's Recommendations - FY19				
	<u>FY18 Recommended</u>	<u>FY 19 Recommended</u>	<u>Change From FY18 (Amt)</u>	<u>Change Percent</u>
Administration	920,451,400	1,010,990,400	90,539,000	9.8
Agriculture, Trade and Consumer Protection	95,268,600	95,499,600	231,000	0.2
Board for People w/ Develop. Disabilities	1,467,500	1,469,500	2,000	0.1
Board of Commissioners of Public Lands	1,678,000	1,680,200	2,200	0.1
Board on Aging and Long-Term Care	3,433,200	3,497,500	64,300	1.9
Budget Stabilization Fund	0	0	0	0.0
Building Commission	37,813,700	44,756,600	6,942,900	18.4
Child Abuse and Neglect Prevention Bd.	3,158,300	3,159,100	800	0.0
Children and Families	1,282,550,100	1,319,684,900	37,134,800	2.9
Circuit Courts	101,793,200	101,793,200	0	0.0
Corrections	1,242,261,800	1,245,007,000	2,745,200	0.2
Court of Appeals	11,149,700	11,171,900	22,200	0.2
District Attorneys	47,949,900	49,387,800	1,437,900	3.0
Educational Communications Board	18,957,500	19,463,500	506,000	2.7
Elections Commission	4,446,600	4,530,400	83,800	1.9
Employee Trust Funds	46,015,900	46,082,100	66,200	0.1
Employment Relations Commission	1,131,100	1,132,000	900	0.1
Environmental Improvement Program	25,268,100	24,607,200	-660,900	-2.6
Ethics Commission	1,330,300	1,325,600	-4,700	-0.4
Financial Institutions	18,410,100	18,625,200	215,100	1.2
Fox River Navigational System Authority	125,400	125,400	0	0.0
Governor's Office	3,710,700	3,710,700	0	0.0
Health and Educational Facilities Authority	0	0	0	0.0
Health Services	11,873,224,800	12,575,586,900	702,362,100	5.9
Higher Educational Aids Board	140,808,300	140,811,800	3,500	0.0
Historical Society	29,222,400	31,601,600	2,379,200	8.1
Insurance	110,842,500	111,023,500	181,000	0.2
Investment Board	53,499,600	53,499,600	0	0.0
Judicial Commission	0	0	0	0.0
Judicial Council	0	0	0	0.0
Justice	137,316,500	137,109,200	-207,300	-0.2
Kickapoo Reserve Management Board	968,400	968,400	0	0.0
Labor and Industry Review Commission	1,719,400	0	-1,719,400	-100.0
Legislature	76,460,900	76,520,300	59,400	0.1
Lieutenant Governor's Office	382,100	382,100	0	0.0
Lower Fox River Remediation Authority	0	0	0	0.0
Lower Wisconsin State Riverway Board	224,300	224,300	0	0.0
Medical College of Wisconsin	10,180,100	10,011,800	-168,300	-1.7
Military Affairs	109,309,700	108,123,500	-1,186,200	-1.1
Miscellaneous Appropriations	144,812,000	149,723,400	4,911,400	3.4
Natural Resources	547,609,000	549,040,400	1,431,400	0.3
Program Supplements	10,841,000	10,841,000	0	0.0
Public Debt	0	0	0	0.0
Public Defender Board	86,510,500	86,642,400	131,900	0.2
Public Instruction	6,957,665,700	7,245,972,900	288,307,200	4.1
Public Service Commission	42,528,600	28,212,700	-14,315,900	-33.7
Revenue	210,504,300	211,202,200	697,900	0.3
Safety and Professional Services	53,729,000	54,213,900	484,900	0.9
Secretary of State	265,700	265,700	0	0.0
Shared Revenue and Tax Relief	2,602,599,900	2,698,376,400	95,776,500	3.7
State Fair Park Board	25,331,000	24,798,800	-532,200	-2.1
Supreme Court	32,016,200	32,412,900	396,700	1.2
Technical College System Board	562,240,800	561,910,900	-329,900	-0.1
Tourism, Department of	16,981,700	17,029,300	47,600	0.3
Transportation	3,018,383,200	2,946,480,300	-71,902,900	-2.4
Treasurer	113,500	113,500	0	0.0
University of Wisconsin System	6,193,559,300	6,238,438,500	44,879,200	0.7
Veterans Affairs	142,266,100	141,546,000	-720,100	-0.5
Wisconsin Artistic Endowment Found.	0	0	0	0.0
Wisconsin Economic Development Corp.	35,250,700	41,550,700	6,300,000	17.9
Wisconsin Housing and Economic Dev.	0	0	0	0.0
Workforce Development	360,982,800	348,824,800	-12,158,000	-3.4
TOTALS	37,456,721,100	38,641,159,500	1,184,438,400	3.2



II. SUMMARY OF GPR FUNDS APPROPRIATIONS BY AGENCY

	Governor's Recommendations - FY18		Change From Base (Amt)	Change Percent
	FY17 Base	FY18 Recommended		
Administration	787,155,300	373,457,100	-413,698,200	-52.6
Agriculture, Trade and Consumer Protection	27,046,700	26,591,100	-455,600	-1.7
Board for People w/ Develop. Disabilities	47,900	42,600	-5,300	-11.1
Board on Aging and Long-Term Care	1,366,700	1,360,100	-6,600	-0.5
Building Commission	30,646,100	34,707,300	4,061,200	13.3
Child Abuse and Neglect Prevention Bd.	995,000	995,000	0	0.0
Children and Families	459,297,700	461,650,700	2,353,000	0.5
Circuit Courts	97,470,300	101,560,500	4,090,200	4.2
Corrections	1,098,346,600	1,126,557,700	28,211,100	2.6
Court of Appeals	10,706,500	11,149,700	443,200	4.1
District Attorneys	44,883,100	44,674,100	-209,000	-0.5
Educational Communications Board	6,541,100	6,466,300	-74,800	-1.1
Elections Commission	2,046,500	1,916,400	-130,100	-6.4
Employee Trust Funds	154,300	96,500	-57,800	-37.5
Employment Relations Commission	1,383,600	985,500	-398,100	-28.8
Environmental Improvement Program	18,630,900	17,268,100	-1,362,800	-7.3
Ethics Commission	874,000	831,200	-42,800	-4.9
Governor's Office	3,976,500	3,710,700	-265,800	-6.7
Health Services	3,778,440,900	3,851,241,800	72,800,900	1.9
Higher Educational Aids Board	137,782,700	139,018,500	1,235,800	0.9
Historical Society	15,190,200	18,559,700	3,369,500	22.2
Judicial Commission	301,900	0	-301,900	-100.0
Judicial Council	0	0	0	0.0
Justice	52,143,100	56,004,500	3,861,400	7.4
Labor and Industry Review Commission	265,500	121,300	-144,200	-54.3
Legislature	75,110,100	74,237,700	-872,400	-1.2
Lieutenant Governor's Office	287,100	382,100	95,000	33.1
Medical College of Wisconsin	10,175,500	9,932,600	-242,900	-2.4
Military Affairs	26,789,900	27,759,200	969,300	3.6
Miscellaneous Appropriations	93,726,300	92,323,700	-1,402,600	-1.5
Natural Resources	110,721,900	107,831,000	-2,890,900	-2.6
Program Supplements	33,018,400	10,841,000	-22,177,400	-67.2
Public Defender Board	84,620,300	85,132,300	512,000	0.6
Public Instruction	5,911,086,500	5,976,955,200	65,868,700	1.1
Revenue, Department of	110,151,500	108,812,600	-1,338,900	-1.2
Safety and Professional Services	0	0	0	0.0
Shared Revenue and Tax Relief	2,233,080,600	2,313,309,400	80,228,800	3.6
State Fair Park Board	3,293,000	2,894,400	-398,600	-12.1
Supreme Court	15,627,400	17,499,100	1,871,700	12.0
Technical College System Board	519,642,500	524,513,500	4,871,000	0.9
Tourism	5,264,100	5,024,100	-240,000	-4.6
Transportation	109,442,200	126,587,700	17,145,500	15.7
University of Wisconsin System	1,056,970,200	1,075,529,200	18,559,000	1.8
Veterans Affairs	1,944,600	1,993,700	49,100	2.5
Wisconsin Economic Development Corp.	12,474,700	1,519,500	-10,955,200	-87.8
Workforce Development	43,814,500	57,188,300	13,373,800	30.5
TOTALS	17,032,934,400	16,899,232,700	-133,701,700	-0.8



Governor's Recommendations - FY19				
	<u>FY18 Recommended</u>	<u>FY19 Recommended</u>	<u>Change From FY18 (Amt)</u>	<u>Change Percent</u>
Administration	373,457,100	430,023,500	56,566,400	15.1
Agriculture, Trade and Consumer Protection	26,591,100	26,554,600	-36,500	-0.1
Board for People w/ Develop. Disabilities	42,600	43,400	800	1.9
Board on Aging and Long-Term Care	1,360,100	1,360,200	100	0.0
Building Commission	34,707,300	40,806,600	6,099,300	17.6
Child Abuse and Neglect Prevention Bd.	995,000	995,000	0	0.0
Children and Families	461,650,700	464,061,500	2,410,800	0.5
Circuit Courts	101,560,500	101,560,500	0	0.0
Corrections	1,126,557,700	1,127,326,700	769,000	0.1
Court of Appeals	11,149,700	11,171,900	22,200	0.2
District Attorneys	44,674,100	46,253,300	1,579,200	3.5
Educational Communications Board	6,466,300	6,344,400	-121,900	-1.9
Elections Commission	1,916,400	4,528,600	2,612,200	136.3
Employee Trust Funds	96,500	68,800	-27,700	-28.7
Employment Relations Commission	985,500	986,400	900	0.1
Environmental Improvement Program	17,268,100	16,607,200	-660,900	-3.8
Ethics Commission	831,200	833,600	2,400	0.3
Governor's Office	3,710,700	3,710,700	0	0.0
Health Services	3,851,241,800	4,092,313,600	241,071,800	6.3
Higher Educational Aids Board	139,018,500	139,022,000	3,500	0.0
Historical Society	18,559,700	20,220,900	1,661,200	9.0
Judicial Commission	0	0	0	0.0
Judicial Council	0	0	0	0.0
Justice	56,004,500	56,077,000	72,500	0.1
Labor and Industry Review Commission	121,300	0	-121,300	-100.0
Legislature	74,237,700	74,292,000	54,300	0.1
Lieutenant Governor's Office	382,100	382,100	0	0.0
Medical College of Wisconsin	9,932,600	9,764,300	-168,300	-1.7
Military Affairs	27,759,200	26,880,900	-878,300	-3.2
Miscellaneous Appropriations	92,323,700	97,192,400	4,868,700	5.3
Natural Resources	107,831,000	111,029,600	3,198,600	3.0
Program Supplements	10,841,000	10,841,000	0	0.0
Public Defender Board	85,132,300	85,263,500	131,200	0.2
Public Instruction	5,976,955,200	6,263,501,900	286,546,700	4.8
Revenue	108,812,600	109,042,300	229,700	0.2
Safety and Professional Services	0	0	0	0.0
Shared Revenue and Tax Relief	2,313,309,400	2,394,429,100	81,119,700	3.5
State Fair Park Board	2,894,400	2,380,800	-513,600	-17.7
Supreme Court	17,499,100	17,871,100	372,000	2.1
Technical College System Board	524,513,500	524,519,100	5,600	0.0
Tourism	5,024,100	5,071,700	47,600	0.9
Transportation	126,587,700	116,642,200	-9,945,500	-7.9
University of Wisconsin System	1,075,529,200	1,115,541,300	40,012,100	3.7
Veterans Affairs	1,993,700	1,910,300	-83,400	-4.2
Wisconsin Economic Development Corp.	1,519,500	16,392,500	14,873,000	978.8
Workforce Development	57,188,300	45,299,800	-11,888,500	-20.8
TOTALS	16,899,232,700	17,619,118,300	719,885,600	4.3



B. POSITIONS

The Governor's budget recommendations include authorization for 70,827.11 FTE state positions from all fund sources by the end of the next biennium (fiscal year 2018-19). This represents an increase of 415.71 FTE positions from the fiscal year 2016-17 adjusted base of 70,411.40 FTE positions. From GPR funds, the budget provides 35,466.49 FTE positions, an increase of 12.77 FTE positions from the fiscal year 2016-17 adjusted base of 35,453.72 FTE positions.

Table 14 demonstrates the changes from the adjusted base level FTE positions to the second year of the biennium (fiscal year 2018-19).

TABLE 14: FISCAL YEAR 2018-19 FTE POSITION CHANGES OVER BASE

	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>SEG</u>	<u>All Funds</u>
Adjusted Base	35,453.72	10,542.47	19,283.49	5,131.72	70,411.40
Agency Requests	-7.19	-27.59	188.27	0.00	153.49
Governor's Recommendation	<u>19.96</u>	<u>7.67</u>	<u>348.52</u>	<u>-113.93</u>	<u>262.22</u>
TOTAL	35,466.49	10,522.55	19,820.28	5,017.79	70,827.11

Positions are increased in the following key areas:

- Increase the University of Wisconsin System's position count by 159.22 FTE PR positions to reflect the Board of Regents' approved 2016-17 operating budget for academic student fees.
- Increase forensic treatment capacity and improve patient services at the Mendota Mental Health Institute by providing 73.0 FTE permanent positions and \$7,190,500 in fiscal year 2017-18 and \$7,220,100 in fiscal year 2018-19 to reduce the current forensic inpatient caseload and admission waiting list.
- Provide 83.35 FTE positions in the Department of Corrections to staff several new units at adult correctional facilities, including new health services units at Columbia and Oshkosh Correctional Institutions, a new infirmary at Taycheedah Correctional Institution, a new housing unit at the Robert E. Ellsworth Correctional Center, and a secure residential treatment unit at Oshkosh Correctional Institution for inmates with mental health issues. For additional information, see Budget Initiatives by Subject Area, Corrections.
- Provide 20.5 FTE positions in the Department of Corrections to improve staff ratios and increase services at the Lincoln Hills School and Copper Lake School juvenile facilities. For additional information, see Budget Initiatives by Subject Area, Corrections.
- Provide 46.05 FTE positions in the Department of Corrections to expand the earned release program, provide additional psychological treatment services for inmates in restrictive housing and provide services to the growing institutional operating while intoxicated (OWI) offender population. For additional information, see Budget Initiatives by Subject Area, Corrections.



- Convert contractor positions to 37.0 FTE state positions in fiscal year 2017-18 and 54.0 FTE state positions in fiscal year 2018-19 in the Department of Administration to achieve savings of \$463,100 PR-S in fiscal year 2017-18 and \$3,712,100 PR-S in fiscal year 2018-19, or \$4,175,200 PR-S over the biennium.
- Convert contractor positions to 41.5 FTE state positions in fiscal year 2017-18 in the Department of Health Services' Division of Medicaid Services to achieve savings of \$1,542,300 in fiscal year 2017-18 and \$2,056,400 in fiscal year 2018-19.

Positions are decreased in the following key areas:

- Reduce Lottery staff by 10.0 FTE positions to reflect services provided under the new vendor contract.
- Eliminate 13.0 FTE positions to reflect program efficiencies gained by transferring the functions of the Parole Commission to the Department of Corrections. For additional information, see Budget Initiatives by Subject Area, Corrections.
- Streamline review of equal rights, worker's compensation and unemployment insurance case decisions by eliminating the Labor and Industry Review Commission and the related 26.5 FTE positions. For additional information, see Budget Initiatives by Subject Area, General Government.



I. SUMMARY OF ALL FUNDS POSITIONS BY AGENCY

Governor's Recommendations - FY18			
	<u>FY17 Base</u>	<u>FY18 Recommended</u>	<u>Change From Base (FTE)</u>
Administration	1,022.38	1,086.33	63.95
Agriculture, Trade and Consumer Protection	647.79	633.95	-13.84
Board for People w/ Develop. Disabilities	7.00	7.00	0.00
Board of Commissioners of Public Lands	9.50	9.50	0.00
Board on Aging and Long-Term Care	40.50	43.50	3.00
Budget Stabilization Fund	0.00	0.00	0.00
Building Commission	0.00	0.00	0.00
Child Abuse and Neglect Prevention Bd.	6.00	6.00	0.00
Children and Families	798.01	796.01	-2.00
Circuit Courts	527.00	527.00	0.00
Corrections	10,101.32	10,218.27	116.95
Court of Appeals	75.50	75.50	0.00
District Attorneys	427.75	420.95	-6.80
Educational Communications Board	55.18	55.18	0.00
Elections Commission	31.75	25.75	-6.00
Employee Trust Funds	267.20	269.20	2.00
Employment Relations Commission	9.01	6.00	-3.01
Environmental Improvement Program	0.00	0.00	0.00
Ethics Commission	8.00	8.00	0.00
Financial Institutions	139.54	141.54	2.00
Fox River Navigational System Authority	0.00	0.00	0.00
Governor's Office	37.25	37.25	0.00
Health and Educational Facilities Authority	0.00	0.00	0.00
Health Services	6,134.65	6,264.45	129.80
Higher Educational Aids Board	10.00	10.00	0.00
Historical Society	129.04	140.04	11.00
Insurance	151.50	137.00	-14.50
Investment Board	173.35	173.35	0.00
Judicial Commission	2.00	0.00	-2.00
Judicial Council	1.00	0.00	-1.00
Justice	699.34	690.34	-9.00
Kickapoo Reserve Management Board	4.00	4.00	0.00
Labor and Industry Review Commission	26.50	26.50	0.00
Legislature	777.97	777.97	0.00
Lieutenant Governor's Office	4.00	5.00	1.00
Lower Fox River Remediation Authority	0.00	0.00	0.00
Lower Wisconsin State Riverway Board	2.00	2.00	0.00
Medical College of Wisconsin	0.00	0.00	0.00
Military Affairs	471.10	484.10	13.00
Miscellaneous Appropriations	0.00	0.00	0.00
Natural Resources	2,549.10	2,541.10	-8.00
Program Supplements	0.00	0.00	0.00
Public Debt	0.00	0.00	0.00
Public Defender Board	614.85	614.85	0.00
Public Instruction	647.00	637.00	-10.00
Public Service Commission	152.25	152.25	0.00
Revenue	1,202.28	1,195.03	-7.25
Safety and Professional Services	247.14	243.14	-4.00
Secretary of State	2.00	2.00	0.00
Shared Revenue and Tax Relief	0.00	0.00	0.00
State Fair Park Board	48.00	48.00	0.00
Supreme Court	221.75	224.75	3.00
Technical College System Board	61.50	61.50	0.00
Tourism, Department of	35.00	34.00	-1.00
Transportation	3,497.79	3,494.79	-3.00
Treasurer	1.00	1.00	0.00
University of Wisconsin System	35,400.86	35,560.08	159.22
Veterans Affairs	1,294.20	1,295.20	1.00
Wisconsin Artistic Endowment Found.	0.00	0.00	0.00
Wisconsin Economic Development Corp.	0.00	0.00	0.00
Wisconsin Housing and Economic Dev.	0.00	0.00	0.00
Workforce Development	1,639.55	1,631.05	-8.50
TOTALS	70,411.40	70,817.42	406.02



Governor's Recommendations - FY19			
	<u>FY18 Recommended</u>	<u>FY19 Recommended</u>	<u>Change From FY18 (FTE)</u>
Administration	1,086.33	1,508.47	422.14
Agriculture, Trade and Consumer Protection	633.95	624.49	-9.46
Board for People w/ Develop. Disabilities	7.00	7.00	0.00
Board of Commissioners of Public Lands	9.50	9.50	0.00
Board on Aging and Long-Term Care	43.50	44.50	1.00
Budget Stabilization Fund	0.00	0.00	0.00
Building Commission	0.00	0.00	0.00
Child Abuse and Neglect Prevention Bd.	6.00	6.00	0.00
Children and Families	796.01	785.41	-10.60
Circuit Courts	527.00	527.00	0.00
Corrections	10,218.27	10,103.97	-114.30
Court of Appeals	75.50	75.50	0.00
District Attorneys	420.95	419.95	-1.00
Educational Communications Board	55.18	55.18	0.00
Elections Commission	25.75	25.75	0.00
Employee Trust Funds	269.20	264.20	-5.00
Employment Relations Commission	6.00	6.00	0.00
Environmental Improvement Program	0.00	0.00	0.00
Ethics Commission	8.00	8.00	0.00
Financial Institutions	141.54	141.54	0.00
Fox River Navigational System Authority	0.00	0.00	0.00
Governor's Office	37.25	37.25	0.00
Health and Educational Facilities Authority	0.00	0.00	0.00
Health Services	6,264.45	6,212.09	-52.36
Higher Educational Aids Board	10.00	10.00	0.00
Historical Society	140.04	134.04	-6.00
Insurance	137.00	137.00	0.00
Investment Board	173.35	173.35	0.00
Judicial Commission	0.00	0.00	0.00
Judicial Council	0.00	0.00	0.00
Justice	690.34	686.34	-4.00
Kickapoo Reserve Management Board	4.00	4.00	0.00
Labor and Industry Review Commission	26.50	0.00	-26.50
Legislature	777.97	777.97	0.00
Lieutenant Governor's Office	5.00	5.00	0.00
Lower Fox River Remediation Authority	0.00	0.00	0.00
Lower Wisconsin State Riverway Board	2.00	2.00	0.00
Medical College of Wisconsin	0.00	0.00	0.00
Military Affairs	484.10	476.50	-7.60
Miscellaneous Appropriations	0.00	0.00	0.00
Natural Resources	2,541.10	2,505.60	-35.50
Program Supplements	0.00	0.00	0.00
Public Debt	0.00	0.00	0.00
Public Defender Board	614.85	609.90	-4.95
Public Instruction	637.00	636.00	-1.00
Public Service Commission	152.25	152.25	0.00
Revenue	1,195.03	1,182.03	-13.00
Safety and Professional Services	243.14	245.64	2.50
Secretary of State	2.00	2.00	0.00
Shared Revenue and Tax Relief	0.00	0.00	0.00
State Fair Park Board	48.00	47.00	-1.00
Supreme Court	224.75	224.75	0.00
Technical College System Board	61.50	55.00	-6.50
Tourism, Department of	34.00	34.00	0.00
Transportation	3,494.79	3,439.61	-55.18
Treasurer	1.00	1.00	0.00
University of Wisconsin System	35,560.08	35,560.08	0.00
Veterans Affairs	1,295.20	1,262.20	-33.00
Wisconsin Artistic Endowment Found.	0.00	0.00	0.00
Wisconsin Economic Development Corp.	0.00	0.00	0.00
Wisconsin Housing and Economic Dev.	0.00	0.00	0.00
Workforce Development	1,631.05	1,602.05	-29.00
TOTALS	70,817.42	70,827.11	9.69



II. SUMMARY OF GPR POSITIONS BY AGENCY

	Governor's Recommendations - FY18		
	<u>FY17 Base</u>	<u>FY18 Recommended</u>	<u>Change From Base (FTE)</u>
Administration	63.92	62.72	-1.20
Agriculture, Trade and Consumer Protection	207.60	203.50	-4.10
Board for People w/ Develop. Disabilities	0.00	0.00	0.00
Board on Aging and Long-Term Care	18.18	18.18	0.00
Building Commission	0.00	0.00	0.00
Child Abuse and Neglect Prevention Bd.	0.00	0.00	0.00
Children and Families	231.92	232.17	0.25
Circuit Courts	527.00	527.00	0.00
Corrections	9,564.77	9,663.22	98.45
Court of Appeals	75.50	75.50	0.00
District Attorneys	383.95	383.95	0.00
Educational Communications Board	26.94	26.94	0.00
Elections Commission	9.75	9.75	0.00
Employee Trust Funds	0.00	0.00	0.00
Employment Relations Commission	9.01	6.00	-3.01
Environmental Improvement Program	0.00	0.00	0.00
Ethics Commission	4.55	4.55	0.00
Governor's Office	37.25	37.25	0.00
Health Services	2,536.63	2,555.50	18.87
Higher Educational Aids Board	10.00	10.00	0.00
Historical Society	93.65	100.15	6.50
Judicial Commission	2.00	0.00	-2.00
Judicial Council	0.00	0.00	0.00
Justice	394.18	394.18	0.00
Labor and Industry Review Commission	1.30	1.30	0.00
Legislature	758.17	758.17	0.00
Lieutenant Governor's Office	4.00	5.00	1.00
Medical College of Wisconsin	0.00	0.00	0.00
Military Affairs	81.08	81.08	0.00
Miscellaneous Appropriations	0.00	0.00	0.00
Natural Resources	230.02	226.52	-3.50
Program Supplements	0.00	0.00	0.00
Public Defender Board	609.85	609.85	0.00
Public Instruction	250.47	251.47	1.00
Revenue	968.53	963.28	-5.25
Safety and Professional Services	0.00	0.00	0.00
Shared Revenue and Tax Relief	0.00	0.00	0.00
State Fair Park Board	0.00	0.00	0.00
Supreme Court	115.50	117.50	2.00
Technical College System Board	23.25	23.25	0.00
Tourism	30.00	29.00	-1.00
Transportation	0.00	0.00	0.00
University of Wisconsin System	18,035.88	18,035.88	0.00
Veterans Affairs	0.00	0.00	0.00
Wisconsin Economic Development Corp.	0.00	0.00	0.00
Workforce Development	148.87	150.87	2.00
TOTALS	35,453.72	35,563.73	110.01



Governor's Recommendations - FY19			
	FY18 Recommended	FY19 Recommended	Change From FY18 (FTE)
Administration	62.72	62.72	0.00
Agriculture, Trade and Consumer Protection	203.50	197.80	-5.70
Board for People w/ Develop. Disabilities	0.00	0.00	0.00
Board on Aging and Long-Term Care	18.18	18.18	0.00
Building Commission	0.00	0.00	0.00
Child Abuse and Neglect Prevention Bd.	0.00	0.00	0.00
Children and Families	232.17	232.17	0.00
Circuit Courts	527.00	527.00	0.00
Corrections	9,663.22	9,559.42	-103.80
Court of Appeals	75.50	75.50	0.00
District Attorneys	383.95	383.95	0.00
Educational Communications Board	26.94	26.94	0.00
Elections Commission	9.75	25.75	16.00
Employee Trust Funds	0.00	0.00	0.00
Employment Relations Commission	6.00	6.00	0.00
Environmental Improvement Program	0.00	0.00	0.00
Ethics Commission	4.55	4.55	0.00
Governor's Office	37.25	37.25	0.00
Health Services	2,555.50	2,578.81	23.31
Higher Educational Aids Board	10.00	10.00	0.00
Historical Society	100.15	96.15	-4.00
Judicial Commission	0.00	0.00	0.00
Judicial Council	0.00	0.00	0.00
Justice	394.18	394.18	0.00
Labor and Industry Review Commission	1.30	0.00	-1.30
Legislature	758.17	758.17	0.00
Lieutenant Governor's Office	5.00	5.00	0.00
Medical College of Wisconsin	0.00	0.00	0.00
Military Affairs	81.08	77.28	-3.80
Miscellaneous Appropriations	0.00	0.00	0.00
Natural Resources	226.52	223.52	-3.00
Program Supplements	0.00	0.00	0.00
Public Defender Board	609.85	604.90	-4.95
Public Instruction	251.47	251.47	0.00
Revenue	963.28	953.33	-9.95
Safety and Professional Services	0.00	0.00	0.00
Shared Revenue and Tax Relief	0.00	0.00	0.00
State Fair Park Board	0.00	0.00	0.00
Supreme Court	117.50	117.50	0.00
Technical College System Board	23.25	23.25	0.00
Tourism	29.00	29.00	0.00
Transportation	0.00	0.00	0.00
University of Wisconsin System	18,035.88	18,035.88	0.00
Veterans Affairs	0.00	0.00	0.00
Wisconsin Economic Development Corp.	0.00	0.00	0.00
Workforce Development	150.87	150.82	-0.05
TOTALS	35,563.73	35,466.49	-97.24



C. GENERAL FUND CONDITION

TABLE 15: GENERAL FUND CONDITION UNDER GOVERNOR'S BUDGET
(\$ in millions)

	2017-19 Governor's Budget			2019-21 Estimates	
	<u>FY17*</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>
OPENING BALANCE, JULY 1	\$331.0	\$453.0	\$297.8	\$81.7	-\$185.9
REVENUES AND TRANSFERS					
Taxes	15,503.6	15,973.2	16,573.0	16,586.7	16,418.9
Departmental Revenues					
Tribal Gaming Revenues	26.8	25.9	25.7	25.7	25.7
Other	<u>529.8</u>	<u>493.2</u>	<u>447.4</u>	<u>447.4</u>	<u>447.4</u>
Total Available	\$16,391.2	\$16,945.3	\$17,343.9	\$17,141.5	\$16,706.6
APPROPRIATIONS, TRANSFERS AND RESERVES					
Gross Appropriations	\$16,959.6	\$16,899.2	\$17,619.1	\$17,676.7	\$17,710.6
Opioid Legislation			5.0		
Compensation Reserves	18.6	14.4	35.3	46.9	46.9
Transfers					
Transportation Fund	39.5	39.9	41.4	41.5	41.0
Budget Stabilization Fund		20.0			
Less Biennial Appropriation Spend Ahead	-4.7				
Less Estimated Lapses	<u>-1,074.8</u>	<u>-326.0</u>	<u>-438.6</u>	<u>-437.7</u>	<u>-437.7</u>
Total Expenditures	\$15,938.2	\$16,647.5	\$17,262.2	\$17,327.4	\$17,360.8
BALANCES					
Gross Balance	\$453.0	\$297.8	\$81.7	-\$185.9	-\$654.7
Less Required Statutory Balance	<u>-65.0</u>	<u>-70.0</u>	<u>-75.0</u>	<u>-80.0</u>	<u>-85.0</u>
Net Balance, June 30	\$388.0	\$227.8	\$6.7	-\$265.9	-\$739.7
Structural Balance	\$122.0	-\$155.2	-\$216.1	-\$267.6	-\$468.8

*Reflects reestimates for fiscal year 2016-17 based on the most recent information available.

Detail may not add due to rounding.

The estimated four-year fund condition statement is balanced through fiscal year 2018-19. The estimates for the 2019-21 biennium do not assume any projected growth in revenues or expenditures based on changes in caseload, population, or similar economic factors. However, prospective tax impacts and commitments to additional expenditures for the next biennium that exist in current law or are proposed in this bill, as well as the removal of one-time expenditures made in this biennium, are addressed in the estimates for fiscal years 2019-20 and 2020-21.

The reduction in general fund taxes shown in the table in fiscal year 2020-21 is largely attributable to the federal Internet Tax Freedom Act, under which Wisconsin's sales tax on Internet access will be terminated as of the first day of fiscal year 2020-21 and, consequently, will reduce state sales and use tax collections by an estimated \$165,700,000 beginning in that year.



State statute also requires showing the impact of the Governor's budget on the state's budget balance under generally accepted accounting principles (GAAP). Unlike the modified accrual basis of the budget as published in the statutes, these principles require that revenues and expenditures be accounted for when they occur.

Wisconsin has a deficit under generally accepted accounting principles due to the state's long-term commitment to stabilize and equalize local property taxes. Wisconsin first issued a financial report prepared under generally accepted accounting principles for fiscal year 1989-90. Wisconsin has reported a deficit under generally accepted accounting principles every fiscal year since that first report. As shown in Table 16, the projected general fund balance under generally accepted accounting principles for fiscal year 2018-19 is -\$2,063,800,000, which is \$931,000,000 or 31 percent lower than the fiscal year 2010-11 general fund balance under generally accepted accounting principles of -\$2,994,800,000. Payments for shared revenue and local property tax relief are paid during the local government fiscal year but are delayed in the state budget to the state's subsequent fiscal year. While this mismatch is a major contributor to the state's deficit under generally accepted accounting principles, the delay has been in place for decades to ensure that local government budgets, and associated local levies, remain stable.

**TABLE 16: ESTIMATED GENERAL FUND CONDITION SUMMARY ACCORDING TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(\$ in millions)

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Opening Balance*	-\$1,723.3	-\$1,510.8	-\$1,791.4
Revenue			
Estimated Taxes	\$15,503.6	\$15,973.2	\$16,573.0
Departmental Revenues and Transfers	529.8	493.2	447.4
Tribal Gaming Revenue	<u>26.8</u>	<u>25.9</u>	<u>25.7</u>
Total Revenue	\$16,060.2	\$16,492.3	\$17,046.1
Total Available	\$14,336.9	\$14,981.5	\$15,254.7
Less Total Appropriations (Net)	<u>15,938.2</u>	<u>16,647.5</u>	<u>17,262.2</u>
Balance Before Change in Adjustments to GAAP	-\$1,601.3	-\$1,666.0	-\$2,007.5
Net Contribution to Balance Adjustments in GAAP (change from prior year)			
Per Pupil Aid Payment for Academic Year 2015-16	126.6		
County and Municipal Aids	2.7	-76.3	0.6
Accrue/Defer Tax Revenues	<u>-38.8</u>	<u>-49.1</u>	<u>-56.9</u>
Estimated Closing Balance	-\$1,510.8	-\$1,791.4	-\$2,063.8

*The 2016-17 Opening Balance is preliminary and unaudited.

Detail may not add due to rounding.



D. DEBT MANAGEMENT

State debt management is necessary to ensure long-term capital needs can be met at an affordable level. State debt management historically looks at various standards, including, but not limited to, annual GPR debt service as a percentage of GPR tax revenues. These standards help ensure that annual debt service does not consume a burdensome share of the state's budget and that overall indebtedness remains within reason for the State. In addition to annual debt service that is paid from GPR, other annual debt service is paid from various program revenue and segregated fund sources.

In the next biennium, the standard relating to annual GPR debt service will be reduced compared to the percentage for the 2015-17 biennium. Projected annual GPR debt service payments, as a percentage of GPR tax revenues, is 3.50 percent for the second year of the 2017-19 biennium, compared to 3.68 percent for the second year of the 2015-17 biennium.

The total amount of outstanding State debt paid from GPR has decreased by 10.0 percent over the past four years, and with limited new bond authorization in this 2017-19 executive budget, this trend will continue. The following table shows the amount of new bond authorization (general obligations and revenue obligations) in enacted biennial budgets since the 1997-99 biennium, and the amount proposed for the 2017-19 biennium. The proposed amount of new bond authorization for the 2017-19 biennium is the lowest since the 1997-99 biennium.

TABLE 17: NEW BOND AUTHORIZATION

<u>Biennium</u>	<u>New Bond Authorization</u>	<u>Reduction of Existing Authority</u>	<u>Net Amount</u>
1997-99	\$ 997,485,400	\$ (6,297,400)	\$ 991,188,000
1999-01	1,787,532,900	(1,070,000)	1,786,462,900
2001-03	1,966,514,300	(23,956,400)	1,942,557,900
2003-05	3,439,220,500	(40,500,000)	3,398,720,500
2005-07	1,537,279,900	(2,016,600)	1,535,263,300
2007-09	2,836,511,600	(72,195,700)	2,764,315,900
2009-11	3,286,039,700	(13,867,600)	3,272,172,100
2011-13	1,837,691,200	(370,190,300)	1,467,500,900
2013-15	2,162,404,900	(113,800,000)	2,048,604,900
2015-17*	1,068,126,600	(415,969,100)	652,157,500
2017-19**	1,027,642,300	(365,702,300)	661,940,000

Does not include refunding authorization.
* Amount was subsequently reduced by \$44,800,000 pursuant to provisions of a borrowing purpose for transportation; major and rehabilitation projects subject to Joint Committee on Finance approval.
** 2017-19 amounts include assumptions for the 2017-19 Capital Budget, including \$450,000,000 of new bond authorization.



The 2017-19 executive budget is prepared on the assumption that the State's market access and bond ratings will remain stable. Wisconsin's general obligation bonds currently carry ratings of Aa2/AA/AA/AA from Moody's, Standard & Poor's, Fitch, and Kroll, respectively, with a "positive" outlook from Moody's and stable outlook from the other rating agencies.

More importantly, Wisconsin's bonds are received favorably by the investment community with many Wisconsin general obligation bonds being priced at or near Aa1/AA+ rating levels. Investors and rating agencies recognize the State's increased liquidity position and the strength of its fully-funded pension program. Maintaining and improving the State's credit and bond ratings are directly related to continued improvement of the state's long-term fiscal outlook. With respect to improved liquidity, the following table shows improvements made since 2008.

TABLE 18: FISCAL YEAR BUDGET AND CASH ENDING BALANCES
(Amounts in Millions of \$)

Fiscal Year	Budget Stabilization Fund	General Fund (Budgetary)	General Fund (Cash)
2008	\$ 1.3	\$130.7	\$ 24.8
2009	1.5	216.4	25.4
2010	1.7	236.7	383.3
2011	16.6	85.6	303.8
2012	125.5	342.1	975.0
2013	279.2	759.2	1,826.6
2014	279.2	516.9	1,500.6
2015	279.6	135.5	1,370.6
2016	281.0	331.0	1,060.3
2017*	281.0	427.2	1,244.6

* Preliminary.

The tax-exempt municipal bond market has experienced, and continues to experience, a period of historically-low interest rates. Similar to refinancing a mortgage, the State takes advantage of these low interest rates to lower its debt service costs.

The 2017-19 executive budget includes new bond authorization of \$1,500,000,000 to complete refunding transactions for tax-supported and self-amortizing general obligation debt. This authorization can be used only for refunding transactions that have debt service savings to the State. Using refunding authorization included in the 2015-17 biennial budget, the State has completed refunding transactions that resulted in nearly \$103,000,000 of debt service savings on a present value basis.



E. TAX AND FEE CHANGES

TABLE 19: TAX AND FEE CHANGES

TAX AND FEE REDUCTIONS (negative = reduction)		FY18	FY19
GPR	Income Tax Rate Reductons	-\$104,377,800.00	-\$99,077,000.00
GPR	Back to School Sales Tax Holiday	-11,000,000	-11,000,000
GPR	Raise Occasional Sale Exemption Threshold	-169,900	-162,100
GPR	Internal Revenue Code Update	-600,000	-800,000
GPR	Sales Tax Exemption: Retailer's Food Prepared Off-Site	-1,000,000	-1,000,000
GPR	Modify Sales Tax Treatment of Lump Sum Contracts	-1,250,000	-1,500,000
GPR	Angel and Early Stage Seed Credit Cap Increase	-3,200,000	-2,200,000
GPR	Earned Income Tax Credit Expansions - GPR supported	0	-8,030,000
GPR	Foster Care & SSI Age-Outs Credit	0	-724,400
GPR	Capital Gains Exclusion Employee Count Modification	minimal	minimal
PR	Earned Income Tax Credit Expansions - PR-F TANF	0	-13,000,000
PR	UW Tuition Reduction	0	-35,000,000
PR	End Stray Voltage & Rural Cooperative Fees	-228,600	-228,600
PR	End Rental Weatherization Program & Fees	-121,000	-121,000
PR	Teacher License Reform	-753,200	-1,004,100
SEG	Eliminate State-Levied Property Tax	-88,759,300	-91,695,600
SEG	DNR Conservation Patron Fee Reduction	-75,000	-300,000
SEG	Pesticide, Feed and Fertilizer Fee Simplification	0	-2,100,000
SEG	End Ambulatory Surgical Center Assessment	-16,624,300	-16,624,300
TAX AND FEE INCREASES (positive = increase)		FY18	FY19
GPR	Private Label Credit Card Delay	\$10,151,800	\$10,436,000
GPR	Homestead Credit Modifications	0	9,700,000
GPR	Loss Limit for Earned Income and Homestead Credits	1,290,000	1,290,000
GPR	Align Net Business Loss and Credit Treatment	1,000,000	1,000,000
GPR	Disallow Gains from Federal AMT Adjustments	minimal	minimal
GPR	Historic Rehabilitation Credit Reforms	3,000,000	14,100,000
GPR	End Non-resident Itemized Deduction Credit Bonus	580,000	590,000
GPR	End Manufacturing & Agriculture Credit Overlap	9,700,000	9,700,000
GPR	Limit Working Families Credit to Full-Time Residents	200,000	200,000
GPR	Apply Occassional Sales Tax to Off-Road Motorcycles	215,000	215,000
GPR	Captive Insurance Companies in Combined Reporting	1,000,000	1,000,000
PR	Optional Expedited Corporate Filing Fee	1,640,000	1,640,000
SEG	State Park Fees	-	700,000
SEG	Increase Forfeiture for Inattentive Driving	228,000	228,000
ALL FUNDS NET TAX & FEE CHANGES		-\$199,154,300	-\$233,768,100
TOTALS BY REVENUE TYPE		FY18	FY19
GPR		-94,460,900	-76,262,500
PR		537,200	-47,713,700
SEG		-105,230,600	-109,791,900
ALL FUNDS TOTAL - NET TAX AND FEE CHANGES		-\$199,154,300	-\$233,768,100
All FUNDS TOTAL FOR THE 2017-19 BIENNIUM - ALL TAX & FEE CHANGES			-\$432,922,400

Note: These actions do not include tax enforcement provisions.



- The Governor's 2017-19 budget proposals reduce net taxes and fees by an estimated \$432,922,400 over the biennium. Major tax and fee relief to Wisconsin residents include an income tax cut, elimination of property taxes levied by the state, and a reduction to University of Wisconsin System tuition. Details of these initiatives are presented under Major Initiatives.
- Wisconsin's tax burden is steadily declining as a result of state tax reductions enacted in the last three budgets and the state's continued efforts to contain property taxes. Wisconsin's overall rank for all taxes in 2014 has dropped to 16 as a percent of personal income among the 50 states according to the U.S. Census Bureau. The Governor's proposed reductions contained in the 2017-19 budget will provide even greater tax relief.
- While tax and fee reductions in the Governor's 2017-19 budget far outweigh tax and fee increases, the increases that are included in the budget are largely necessary clean-up actions to ensure that the tax code is applied in the most efficient, streamlined and equitable manner possible.
- Changes pertaining to the Earned Income Tax Credit, Foster Care and Supplemental Security Income Age-Outs, and Homestead Credit are a part of the Wisconsin Works for Everyone Initiative.
- Details for general fund tax changes are presented under the "Tax Relief and Economic Development" section of this document and under the Department of Revenue in the Executive Budget.



IV. BUDGET INITIATIVES BY SUBJECT AREA

A. AGRICULTURE

- Provide \$825,000 SEG in fiscal year 2017-18 and \$825,000 SEG in fiscal year 2018-19 for additional support in order to fully fund demand for cost-sharing nonpoint source abatement projects and other land and water conservation activities performed by counties. Total funding for the program will be set at \$3,325,000 SEG, an increase of 24 percent over base level funding.
- Continue funding of \$250,000 GPR in fiscal year 2017-18 and \$250,000 GPR in fiscal year 2018-19 for producer-led watershed grants.
- Require the department to prioritize the presence of impaired water and agricultural enterprise areas when evaluating nutrient management grant applications, to ensure those proposals receive the greatest consideration.
- Provide an additional \$7,000,000 in SEG-supported general obligation bonds for grants to counties for land and water resource management plans.
- Restructure the agrichemical management fund and agricultural chemical cleanup program to modernize the fee and license structure for pesticides, fertilizers, soil or plant additives, and inspections. The restructuring will reduce fees for license- and permit-holders, and provide opportunities for fee holidays when the fund balance in the program reaches a certain threshold, reducing the burden on the agricultural community.
- Increase the cap on the lifetime reimbursement for cleanup awards under the agrichemical cleanup fund from \$400,000 to \$650,000. This allows fees paid into the program to be better utilized for their intended purpose.
- Direct the Department of Agriculture, Trade and Consumer Protection, and the Department of Natural Resources to conduct a study on the feasibility of transferring the permitting process for concentrated animal feeding operations from the Department of Natural Resources to the Department of Agriculture, Trade and Consumer Protection.
- Permit the Department of Agriculture, Trade and Consumer Protection to provide professional assistance for chemical dependency and mental health services for individuals licensed by the Veterinary Examining Board.
- Eliminate the stray voltage program administered by the Public Service Commission and the Department of Agriculture, Trade and Consumer Protection, providing annual savings of \$305,100 PR, a reduction of 1.0 FTE position to the commission and a reduction of 5.0 FTE positions to the department. The sunset of the program also saves rural cooperatives over \$25,000 annually through the elimination of fees. No claims have been awarded under the program for many years.



B. CORRECTIONS

This budget focuses efforts on the safe oversight of our prisons, as well as providing resources for inmates with significant physical and mental health needs. In addition, funding is provided to cover expected costs of food, institutional supplies, contract beds, and general health care costs. The average daily adult population was 22,513 in fiscal year 2015-16, and the populations are projected to be 23,722 in fiscal year 2017-18 and 24,004 in fiscal year 2018-19. The implementation of 2015 Wisconsin Act 371, which toughened prison sentences for fourth Operating While Intoxicated (OWI) offenders, is expected to have a significant impact on population growth.

The budget also includes a number of reentry efforts to assist inmates in the transition from incarceration to employment. These items are listed under the Wisconsin Works for Everyone initiative.

HEALTH AND MENTAL HEALTH SERVICES FOR ADULT INMATES

- Provide \$660,800 GPR in fiscal year 2017-18 and \$660,800 GPR in fiscal year 2018-19 to expand the Opening Avenues to Reentry Success program to five additional counties to provide more access to case management, housing, psychiatric treatment, medication, and other assistance to mentally ill inmates upon release from prison with medium to high risk to reoffend. This expansion would provide resources to serve an additional 40 inmates.
- Provide 5.0 FTE positions and \$773,200 GPR in fiscal year 2018-19 to operate and staff the expansion of the health services unit at Columbia Correctional Institution and treat the institution's large population of chronically ill and mentally ill inmates.
- Provide 28.95 FTE positions and \$1,274,200 GPR and in fiscal year 2018-19 to operate and staff an expansion of the health services unit at Oshkosh Correctional Institution.
- Provide 16.85 FTE positions and \$1,022,200 GPR in fiscal year 2017-18 and \$1,214,300 GPR in fiscal year 2018-19 for a secure residential treatment unit for inmates with mental health issues.
- Provide 29.55 FTE positions and \$1,096,800 GPR in fiscal year 2017-18 and \$2,035,400 GPR in fiscal year 2018-19 to operate and staff a newly-constructed infirmary at the Taycheedah Correctional Institution.
- Equip correctional officers with body-worn cameras for those working in restrictive housing units. Provide \$326,700 GPR in fiscal year 2017-18 and \$264,700 GPR in fiscal year 2018-19.
- Expand the opportunities for psychological treatment of individuals in restrictive housing by providing 4.8 FTE positions and \$268,200 GPR in fiscal year 2017-18 and \$324,400 GPR in fiscal year 2018-19.
- Reallocate \$1,368,400 GPR in fiscal year 2017-18 and \$1,657,000 GPR in fiscal year 2018-19 to provide more services for OWI offenders. Provide 25.0 FTE positions to perform and facilitate these services.



OTHER ADULT CORRECTIONS INITIATIVES

- Provide 3.0 FTE positions and \$264,100 GPR in fiscal year 2017-18 and \$308,400 GPR in fiscal year 2018-19 to staff a new housing unit at the Robert E. Ellsworth Correctional Center.
- Provide \$597,200 GPR in fiscal year 2017-18 and \$597,200 GPR in fiscal year 2018-19 for wastewater treatment facility improvements at two adult institutions.
- Require the Legislative Audit Bureau to conduct a study of the revocation process to ensure that individuals under community supervision are receiving a fair and consistent outcome relating to any violations of probation or parole.
- Transfer the functions of the Parole Commission into the Department of Corrections, streamlining the discretionary release process while maintaining the integrity of the parole process. An unclassified Director of Parole, appointed by the Governor, will oversee administration of the program. Reduce position authority by 13.0 FTE positions and funding by \$591,400 GPR in fiscal year 2017-18 and \$1,184,500 GPR in fiscal year 2018-19 to reflect the transfer.
- Provide an additional supplement of \$12,621,700 all funds in fiscal year 2017-18 and \$12,621,700 all funds in fiscal year 2018-19 for overtime. Provide \$642,700 all funds in fiscal year 2017-18 and \$642,700 all funds in fiscal year 2018-19 for night and weekend differential. These supplements are to ensure the department can cover its staffing costs.
- Provide 16.25 FTE GPR positions to expand the earned release program for nonviolent offenders so that up to 250 additional inmates who received a bifurcated sentence which included eligibility for the program can participate. While this program would require additional positions, the program leads to cost avoidance of -\$875,500 GPR in fiscal year 2017-18 and -\$2,832,300 GPR in fiscal year 2018-19 from lower institutional populations. There are currently over 4,200 inmates eligible for the program.

Together, this budget provides adult corrections an additional \$23,869,800 in fiscal year 2017-18 and \$26,974,200 in fiscal year 2018-19, representing an increase of 2.07 percent over the adjusted base for fiscal year 2017-18 and an increase of 2.34 percent over the adjusted base for fiscal year 2018-19.

JUVENILE CORRECTIONS

Investments and reallocation of resources to the vulnerable youth population will ensure a successful transition out of the juvenile justice system. This budget provides juvenile corrections an additional \$326,500 in fiscal year 2017-18 and \$585,900 in fiscal year 2018-19, representing an increase of 0.49 percent over the adjusted base for fiscal year 2017-18 and an increase of 0.87 percent over the adjusted base for fiscal year 2018-19. In addition, the budget projects a juvenile population of 253 in each fiscal year of the biennium, a 20 percent decrease over the projected population under 2015 Wisconsin Act 55.



- Provide 3.25 FTE positions and \$256,100 GPR in fiscal year 2017-18 and \$300,500 GPR in fiscal year 2018-19 to expand mental health services for girls at Copper Lake School so that they have similar access to mental health services as juvenile males.
- Improve staff ratio requirements at the Lincoln Hills School as prescribed by the federal Prison Rape Elimination Act by providing 8.25 FTE positions and \$653,400 PR in fiscal year 2017-18 and \$653,400 PR in fiscal year 2018-19.
- Provide 9.0 FTE positions and \$93,500 PR in fiscal year 2017-18 and \$65,900 PR in fiscal year 2018-19 for the safe distribution of medication to the juvenile population.
- Expand the number of inmates that may be housed with the existing capacity at Racine Youthful Offender Correctional Facility so that more offenders between 18 and 24 years of age may have access to programming for successful reentry. This will result in a cost avoidance of \$300,100 GPR in fiscal year 2017-18 and \$296,200 GPR in fiscal year 2018-19 from lower institutional populations in other facilities.
- Require that individuals under 18 years of age be placed at a juvenile correctional facility or a secured residential care center for children and youth, rather than an adult prison, when appropriate.

C. EDUCATION

- Provide \$50,000 in each fiscal year, or \$100,000 over the biennium, for the Alzheimer's Disease Research Center at the University of Wisconsin-Madison campus.
- Provide \$100,000 in each fiscal year, or \$200,000 over the biennium, for the Wisconsin Rural Physician Residency Assistance Program.
- Maintain service levels for Newline for the Blind and library service contracts by providing \$20,100 in fiscal year 2017-18 and \$42,400 in fiscal year 2018-19, for a biennial total of \$62,500, from the Universal Service Fund.
- Provide \$11,700 in each year, or \$23,400 over the biennium, to support Very Special Arts.
- Provide \$150,000 in each year for e-learning modules produced by independent nonprofit organizations that contain antibullying curriculum for kindergarten through grade eight students.

D. GENERAL GOVERNMENT

- Deposit \$20,000,000 during fiscal year 2017-18 into the state's Budget Stabilization Fund to continue to further solidify the state's finances. This additional deposit to the fund will increase the fund balance to over \$300,000,000 and increase the balance so that it will be 178 times larger than when the Governor first took office.
- Double the state match to a municipal contribution to the service award program up to \$500 per year for volunteer firefighters, emergency medical technicians and first responders.



In addition, lower the age required to receive a service award from 60 years to 53 years and reduce the required service time from 20 years to 15 years. These modifications are designed to help recruit and retain these vital positions.

- Provide \$100,000 Tribal gaming revenue in each fiscal year or \$200,000 over the biennium to fund a feasibility study and business plan for a youth treatment facility in northern Wisconsin.
- Eliminate domestic partnership benefits for all insurance programs administered by the Department of Employee Trust Funds. As a result of court decisions, all couples are allowed to obtain these benefits through marriage, making this provision unnecessary. For the Wisconsin Retirement System, limit to those individuals who previously submitted an affidavit of domestic partnership. This change is estimated to generate GPR savings for state agencies of \$2,287,300 in fiscal year 2017-18 and \$4,574,500 in fiscal year 2018-19, or a savings of \$6,861,800 GPR over the biennium.
- Adopt state version of federal REINS Act by requiring the Legislature to approve all administrative regulations that have an impact of \$10,000,000 or more on regulated individuals and entities. Provide for greater transparency of an administrative rule's potential impact on businesses, local governmental units, and individuals by requiring, at Joint Committee Review of Administrative Rules' (JCRAR) request, a preliminary hearing and comment period to allow for stakeholder feedback earlier in the process. In addition, allow an independent economic impact analysis of regulations at the request of Department of Administration or JCRAR. Provide a process for agencies to follow regarding guidance documents to ensure that public comment is considered. Additional modifications to the process include: require Department of Administration approval of economic impact analyses, changes to emergency rule extensions, an expedited process for repealing unauthorized rules, and sunset of rule-making authority for agencies that have not promulgated a rule in ten years or more.
- Require the Legislature include in its future biennial budget requests a proposal to reduce its state operations budget, consistent with the requirements of state agencies under 2015 Wisconsin Act 201.
- Provide \$2,594,300 GPR in fiscal year 2018-19 to the Wisconsin Elections Commission to replace Help America Vote Act federal grant funding, which is expected to be exhausted in fiscal year 2018-19. Reduce 6.0 FTE positions in fiscal year 2017-18 and fiscal year 2018-19. Replacement funding will allow the commission to maintain adequate staffing levels and ensure compliance with federal and state elections requirements.
- Reduce per diem allocations for members of the Ethics and Elections Commissions to align them with members of comparable state boards and commissions. This reform will save the Ethics Commission \$7,500 GPR in each year and will save the Elections Commission \$27,400 GPR in each year, yielding a biennial savings of \$69,800 GPR compared to current budgeted levels.
- Restore funding for the Intervenor Compensation program to strengthen Public Service Commission rate case decisions by ensuring that all relevant information has been presented and considered. Provide an additional \$371,300 PR in each year and \$742,600 PR over the biennium.



- Create an enhanced expedited filing service in the Department of Financial Institutions to provide an even faster option for businesses than the existing next-day-service to provide increased flexibility to meet their needs.
- Provide enhanced oversight for the authorization and review of private postsecondary educational institutions by eliminating the Educational Approval Board and transferring all of the board's current functions and responsibilities to the Department of Safety and Professional Services.
- Remove an unnecessary layer of government, and save \$3,200,000 all funds over the biennium by eliminating the Labor and Industry Review Commission. Retain a second-level review of administrative law judge decisions by providing the division administrators of unemployment insurance and equal rights in the Department of Workforce Development, and the division administrator of hearings and appeals in the Department of Administration (with respect to worker's compensation decisions only), with the authority to review and remand decisions. As a result, time for second-level review of administrative law judge decisions will be substantially decreased and streamlined.
- Finalize the worker's compensation transfer initiated in the 2015-17 biennial budget from the Department of Workforce Development to the Department of Administration, including 5.5 FTE PR-S positions, to achieve efficiencies through functional consolidation. The Department of Administration would have an increase of \$1,240,700 PR-S in each year and \$2,481,400 PR-S over the biennium and would assess the Department of Workforce Development for the services provided.
- Eliminate the requirement that Department of Administration's Division of Hearings and Appeals provide printed or typewritten records for Chapter 227 cases, allowing for the submission of digital records and generating savings of \$50,000 PR-S in each year or \$100,000 PR-S over the biennium through the reduced workload on division staff. In addition, eliminate the requirement that stenographic reporters record testimony at worker's compensation hearings and reduce position and expenditure authority by 4.0 FTE positions and \$555,000 PR-S in each year or \$1,110,000 PR-S over the biennium.
- Provide \$120,000 PR-S in each year or \$240,000 PR-S over the biennium for the Division of Hearings and Appeals to obtain a more efficient scheduling and tracking case management system to replace the outdated version.
- Provide an additional \$751,300 PR-S in fiscal year 2017-18 and \$926,200 PR-S in fiscal year 2018-19 or \$1,677,500 PR-S over the biennium for the self-funded portal appropriation to reflect additional demand for E-government services.
- Repeal the prevailing wage requirements for state construction projects.
- Delete 0.25 FTE PR-S position and \$10,300 PR-S annually related to changes in the review thresholds, in order to reflect modern construction costs for state building projects, in the State Building program.
- Increase transparency related to the purchase of renewable energy by transferring \$5,237,700 annually into a separate appropriation in each impacted agency. The amount transferred represents the premium paid when purchasing renewable energy.



- Sunset the Diesel Truck Idling Reduction Grant program on June 30, 2017, instead of June 30, 2020, for savings of \$1,000,000 SEG in fiscal year 2017-18 and \$1,077,100 SEG, including 1.0 FTE position, in fiscal year 2018-19 or \$2,077,100 SEG and 1.0 FTE position over the biennium.
- Transfer the Projects for Assistance in the Transition from Homelessness program from the Department of Administration to the Department of Health Services, including a 0.8 FTE position, to better align mental health resources for the homeless population. The Department of Administration would have \$938,600 all funds in each year or \$1,877,200 all funds over the biennium deleted and the Department of Health Services would have an increase of \$932,600 in each year or \$1,865,200 over the biennium.
- Transfer the Relay Service Program from the Department of Administration to the Public Service Commission, including 1.0 FTE PR position, to better align resources for broadband and telecommunications services. The Department of Administration's budget would be reduced by \$2,879,000 PR in fiscal year 2017-18 and \$2,879,100 PR in fiscal year 2018-19 or \$5,758,100 PR over the biennium and the Public Service Commission's budget would be increased by the same amount.
- Remove the geographic distribution requirement for the Homelessness Prevention Program grants, allowing for an increased emphasis on grant applicant need and performance.
- Reduce funding and 3.01 FTE GPR positions at the Wisconsin Employment Relations Commission, including restructuring from three part-time commissioners to one full-time commissioner due to a significantly decreased workload. This will yield \$390,000 GPR in savings in each year and \$780,000 GPR over the biennium.
- Provide \$500,000 GPR, \$250,000 PR and \$925,000 SEG in fiscal year 2017-18, and \$700,000 GPR, \$250,000 PR and \$925,000 SEG in fiscal year 2018-19, as well as 10.0 FTE positions for the Wisconsin Historical Society to allow Circus World Museum to serve as a historic site to preserve state artifacts and collections, increase operational efficiency and promote tourism.
- Reduce the size and scope of state government by closing the Local Government Property Insurance Fund to new policies after July 1, 2017, and renewals after December 31, 2017. The fund was created to ensure local governmental units had access to affordable property insurance. That situation no longer exists since a wide array of affordable property insurance products are available in the insurance market today.
- Expand the ability of the Department of Safety and Professional Services to issue forfeitures as an interim disciplinary step between issuing a warning and license revocation.
- Permit the Department of Safety and Professional Services to contract with a third party to conduct inspections of pharmacies. Reduce expenditure authority by \$31,300 PR in fiscal year 2017-18 and \$31,300 PR in fiscal year 2018-19, a total reduction of \$62,600 over the biennium, and 0.5 FTE position to reflect cost savings.



- Eliminate the Rental Weatherization Program in the Department of Safety and Professional Services. Elimination of the program will reduce fees for property owners by \$121,000 in fiscal year 2017-18 and \$121,000 in fiscal year 2018-19.
- Eliminate obsolete boards, councils, and commissions that have not met in over one year. Merge several current regulatory boards that are administratively attached to the Department of Safety and Professional Services to take advantage of administrative efficiencies.
- Eliminate mandatory meeting requirement for boards, councils, and commissions that are administratively attached to the Department of Safety and Professional Services. Reduce expenditure authority by \$2,500 PR in fiscal year 2017-18 and \$5,100 PR in fiscal year 2018-19 to reflect cost savings.

E. HEALTH CARE AND FAMILIES

HEALTH SERVICES AND MEDICAL ASSISTANCE

TABLE 20: MEDICAID AND BADGERCARE PLUS EXPENDITURES
(\$ in millions)

	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19
	Actual	Actual	Actual	Actual	Budgeted	Projected
General Purpose Revenue	\$2,836	\$2,733	\$3,936	\$4,825	\$5,683	\$6,148
Federal Revenue	\$6,785	\$9,636	\$8,340	\$9,688	\$10,657	\$10,812
Program and Segregated Revenue	\$1,198	\$1,451	\$1,663	\$2,449	\$2,772	\$3,217
All Funds	\$10,819	\$13,820	\$13,939	\$16,962	\$19,112	\$20,153
Change over prior biennium		28%	1%	22%	13%	5%

This budget broadly focuses on connecting certain individuals receiving public benefits to meaningful opportunities for employment and training to help lift families from poverty (see Wisconsin Works for Everyone). Medicaid enrollment remains flat in key categories such as children and parents and caretakers. As a result, compared to the base budget, the cost-to-continue increase totals \$279,390,900 GPR over the biennium, the smallest cost-to-continue in recent past. The largest factors in this increase are a result of routine caseload, inflation, and utilization changes. As compared to prior biennia, federal factors, including changes in the state's federal Medical Assistance Percentage and Medicare Part D premiums, make up a smaller proportion of the overall increase.

TABLE 21: MEDICAID GPR COST TO CONTINUE
(\$ in millions)

2011-13	2013-15	2015-17	2017-09
Budgeted	Budgeted	Budgeted	Projected
\$1,638.4	\$685.0	\$649.9	\$279.4

This budget also includes several initiatives to combat homelessness and continues support for mental health treatment for adults and children.



- Preserve essential safety net programs by providing \$48,817,600 GPR and \$231,076,300 all funds in fiscal year 2017-18 and \$234,748,600 GPR and \$824,527,700 all funds in fiscal year 2018-19, including SeniorCare and Medicaid and maintain essential health care services for eligible populations.
- Expand access to care by providing \$14,067,300 in fiscal year 2017-18 and \$25,205,500 in fiscal year 2018-19 to eliminate the waiting list for long-term supports for approximately 2,200 children with developmental disabilities, physical disabilities, or severe emotional disturbances. Also implement reforms to increase efficiency of service delivery and to develop an equitable funding methodology to ensure county funding remains within the program.
- Provide an increase of \$18,354,900 in fiscal year 2017-18 and \$33,118,900 in fiscal year 2018-19 to: (a) increase nursing home provider rates by 2 percent in each fiscal year to support direct care workforce and increased resident acuity in nursing homes; (b) increase provider rates by 1 percent in each fiscal year to intermediate care facilities for individuals with intellectual disabilities; and (c) increase funding for enhanced behavioral and cognitive impairment incentives.
- Support Personal Care program direct care workforce by providing a 2 percent increase of \$5,034,300 in fiscal year 2017-18 and a 2 percent increase of \$9,936,300 in fiscal year 2018-19 to address increased program participant acuity.
- Fully fund the ongoing costs of essential safety net programs, including the state supplement to the Supplemental Security Income program, the Medicaid Funeral and Cemetery Aid program and the Wisconsin Chronic Disease program.
- Update the definition of lead poisoning or lead exposure in statute from 10 micrograms per deciliter to 5 micrograms per deciliter, increase the Medicaid reimbursement for investigations to \$800 and provide \$61,000 all funds in fiscal year 2017-18 and \$122,000 all funds in fiscal year 2018-19.
- Strengthen support for Wisconsin seniors by fully funding the Medigap Helpline and providing permanent funding and support for Include, Respect, I Self-Direct ombudsman services at the Board on Aging and Long-Term Care.
- Improve continuity of service and reduce training costs at state facilities by establishing new salary guidelines for certain medical professionals.
- Modify the commitment process for inmates to a state treatment facility to provide more timely treatment.
- Provide \$450,000 in fiscal year 2018-19 to develop a Peer-Run Respite Center for Veterans in the Milwaukee area to improve outcomes of veterans in crisis and those having difficulty coping with mental illness.
- Provide \$249,100 in fiscal year 2017-18 and \$996,400 in fiscal year 2018-19 to develop an eight bed Crisis Treatment and Stabilization Facility for children to improve outcomes of children in crisis. The facility will be community based and provide mental health services to



children in the least restrictive setting. In addition, the facility will improve clinical outcomes while also reducing the number of institutional admissions at Winnebago Mental Health Institute.

- Improve retention and recruitment of emergency medical technicians and first responders by creating a new emergency medical technician endorsement and extending the time period for license renewal from two years to four years.
- Streamline the accreditation process for hospices and home health agencies by authorizing the Department of Health Services to recognize accreditation from Centers for Medicare and Medicaid Services approved organizations as evidence for state licensure. The change in process will save \$27,000 GPR in fiscal year 2017-18 and \$27,000 GPR in fiscal year 2018-19.
- Provide \$10,000 in fiscal year 2017-18 and \$10,000 in fiscal year 2018-19 for the Office of Children's Mental Health to reimburse individuals for travel costs associated with attending meetings to include people with lived experience in the decision making process.
- Reduce costs and improve management in the Division of Long-Term Care by converting contract positions to 41.5 permanent state employees and saving \$1,542,300 in fiscal year 2017-18 and \$2,056,400 in fiscal year 2018-19.
- Increase forensic treatment capacity and improve patient services at the Mendota Mental Health Institute by providing 73.0 FTE permanent positions and \$7,190,500 in fiscal year 2017-18 and \$7,220,100 in fiscal year 2018-19 to reduce the current forensic inpatient caseload and admission waiting list. This is in part due to a renovation of one of the facility halls.
- Reduce the tax burden on ambulatory surgical centers that participate in the Medicare program by \$16,624,300 annually by repealing the Ambulatory Surgical Center Assessment beginning in calendar year 2018.

FAMILY AND ECONOMIC SUPPORT

- Provide an additional \$1,000,000 Temporary Assistance for Needy Families (TANF) funding in fiscal year 2018-19 to expand the Transitional Jobs initiative to four additional rural counties: Adams, Clark, Jackson and Juneau. Total funding for Transitional Milwaukee Jobs and Transitional Jobs would total \$7,000,000 in fiscal year 2017-18 and \$8,000,000 in fiscal year 2018-19, for a biennial total of \$15,000,000.
- Provide an additional \$100,000 TANF funding in each fiscal year for a grant to the Boys and Girls Club for Milwaukee Public Schools to implement a program similar to Green Bay's BE GREAT: Graduate program. Total funding for grants to the Boys and Girls Club is \$1,275,000 in each fiscal year, totaling \$2,550,000 over the biennium.
- Create a worker supplement program for families who meet TANF work participation requirements in unsubsidized employment after they transition to case management follow-up. Reallocate \$2,700,000 GPR in each fiscal year from existing maintenance-of-effort funds for the program, totaling \$5,400,000 over the biennium. This change is intended to improve the state's TANF work participation rate.



- Reallocate 3.0 FTE positions for additional staffing in the Department of Children and Families' Public Assistance Collections Unit to enhance efforts to combat fraud and collect overpayments.
- Authorize the Wisconsin Housing and Economic Development Authority to pilot a prioritization of Housing Choice (Section 8) Vouchers to chronically homeless individuals on the Housing Choice Voucher wait-list to replace the current wait-list structure that does not give priority by housing status, and provide case management services to each chronically homeless individual or family who receives a Housing Choice Voucher as a result of their wait-list prioritization.

CHILD WELFARE

- Increase the Children and Family Aids allocation by \$1,250,000 PR-F in fiscal year 2017-18 and by \$5,000,000 PR-F in fiscal year 2018-19 to address increasing child welfare costs. Total Children and Family Aids from all fund sources would be \$70,630,800 in fiscal year 2017-18 and \$74,712,400 in fiscal year 2018-19, totaling \$145,343,200 over the biennium.
- Provide an additional \$200,000 TANF in fiscal year 2018-19 to Fostering Futures: Connections Count to develop and implement a trauma-informed training curriculum that is more specific to Wisconsin's needs. Total program funding would be \$360,300 in fiscal year 2017-18 and \$560,300 in fiscal year 2018-19, for a biennial total of \$920,600.
- Provide additional funding of \$889,800 TANF in fiscal year 2017-18 and \$1,921,600 TANF in fiscal year 2018-19 to expand child safety and out-of-home placement services statewide so that children may remain at home with supportive services rather than being placed outside of the home. Similar to Children and Family Aids, require matching funds by counties. Total funding for services is \$6,282,500 in fiscal year 2017-18 and \$7,314,300 in fiscal year 2018-19, for a biennial total of \$13,596,800.
- Provide \$250,000 TANF funding in each fiscal year to support evidence-based prevention or early intervention programs that connect families, schools, and communities of students in early grades in certain Milwaukee schools to enhance family functioning and prevent abuse, delinquency, and maltreatment issues at home. Program funding would total \$500,000 over the biennium.
- Provide an additional \$2,000,000 GPR in fiscal year 2018-19 for services to child victims of sex trafficking. Total funding would be \$2,000,000 in fiscal year 2017-18 and \$4,000,000 in fiscal year 2018-19, for a biennial total of \$6,000,000.
- Increase foster care and kinship care rates by 2.5 percent annually in each calendar year to strengthen foster and kinship care parent recruitment and retention efforts. The basic foster care and kinship care rate would increase from \$232 to \$238 in calendar year 2018 and from \$238 to \$244 in calendar year 2019. Additional funding from all fund sources to foster and kinship care under the budget bill would be \$861,300 in fiscal year 2017-18 and \$2,162,100 in fiscal year 2018-19, totaling \$3,023,400.



- Provide \$247,500 PR-S in additional funding in each fiscal year and flexibility for high-cost tribal out-of-home care placements to meet tribes' needs. Total available funding for the program would be \$717,500 in each fiscal year, totaling \$1,435,000 over the biennium.

F. JUSTICE AND THE COURTS

- Provide \$2,000,000 GPR one-time in fiscal year 2017-18 and \$2,000,000 GPR one-time in fiscal year 2018-19, for a total of \$9,000,000 over the biennium for grants for the expansion of the Treatment Alternatives and Diversion program, which provides alternatives to incarceration for high-risk, nonviolent offenders.
- Provide an additional \$150,000 GPR one-time in fiscal year 2017-18 and \$150,000 GPR one-time in fiscal year 2018-19, for a total of \$1,300,000 for drug courts over the biennium, for grants to counties to help them expand drug courts. This represents a 30 percent increase in funding over base.
- Provide the Department of Justice with \$500,000 PR in fiscal year 2017-18 and \$500,000 PR in fiscal year 2018-19, an increase of \$1,000,000 PR over the biennium, for supplies and services related to drug interdiction activities, primarily focused on opioid and methamphetamine abuse.
- Provide \$150,000 PR in fiscal year 2017-18 to purchase equipment for the state crime laboratories that will greatly improve the ability of the laboratories to identify controlled substances during forensic toxicology investigations. In particular, the equipment will help the state crime laboratories readily identify synthetic opioids.
- Provide \$518,300 PR in fiscal year 2017-18 and \$518,300 PR in fiscal year 2018-19, an increase of \$1,036,600 PR over the biennium, and 5.0 FTE PR positions in the Department of Safety and Professional Services. The positions and funding help modernize the Prescription Drug Monitoring Program to meet the needs of the medical community to combat prescription drug abuse and allow the department to investigate and prosecute suspected cases of prescription drug abuse.
- Provide the state crime labs with \$1,000,000 PR in fiscal year 2017-18 and \$1,000,000 PR in fiscal year 2018-19 to upgrade to a new, more thorough DNA testing standard required by the federal government.
- Provide the state crime laboratories with \$250,000 PR in fiscal year 2018-19 to develop an integrated system for the chain of custody among all three state crime laboratories.
- Provide \$50,000 PR in fiscal year 2017-18 and \$50,000 PR in fiscal year 2018-19 for a total of \$100,000 PR over the biennium, to the state crime laboratories to properly dispose of ammunition that is seized during the course of criminal investigations.
- Provide \$750,000 PR in fiscal year 2017-18 and \$750,000 PR in fiscal year 2018-19 for a total of \$1,500,000 PR over the biennium, to staff and train the Internet Crimes Against Children task force, which protects children from on-line sexual predators.



- Provide \$1,000,000 GPR in fiscal year 2017-18 and \$1,000,000 GPR in fiscal year 2018-19 for a total of \$2,000,000 GPR over the biennium, to help fund overtime costs for patrol officers in cities with high rates of violent crime.
- Modify the reporting requirements for restitution payments to victims of crime in order to more adequately protect the victims.
- Repeal an obsolete surety bond requirement for the Attorney General and Deputy Attorney General.
- Improve administrative efficiencies in the Wisconsin Court System by streamlining the process for the depositing of funds related to the CCAP system.
- Establish a process by which the Director of State Courts can develop a pay plan for judges and justices, which is submitted directly to the Joint Committee on Employment Relations for approval, rather than as part of the state compensation plan submitted by the Department of Administration to the committee. The pay plan may utilize savings within the Wisconsin Court System from existing appropriations. Provide \$334,000 GPR one-time in fiscal year 2018-19 to reflect an amount equal to the wage increase provided to other state employees. Nonjudicial staff will continue to be covered under the state compensation plan.
- Provide additional funding for pay progression of \$66,400 GPR in fiscal year 2018-19 for deputy and assistant public defenders and \$1,066,100 GPR in fiscal year 2017-18 and \$2,645,300 GPR in fiscal year 2018-19 for deputy and assistant district attorneys to increase retention of experienced counsel.
- Eliminate the statutory Judicial Council and transfer 1.0 FTE position to the Supreme Court. The Supreme Court may establish a similar advisory body by rule.
- Transfer the Judicial Commission to the Supreme Court to take advantage of administrative efficiencies. Under current law, the commission is advisory to the Supreme Court.
- Consolidate the Public Defender Board's GPR appropriations into a single block grant, to allow the board more flexibility in allocating its resources to represent indigent clients. Provide the board with greater flexibility in the creation of new positions, to create a better caseload balance between in-house counsel and private bar attorneys.
- Provide an additional \$3,400,000 GPR in fiscal year 2017-18 and \$3,400,000 GPR in fiscal year 2018-19 for a total of \$6,800,000 over the biennium, to reflect the Public Defender Board's private bar obligations. This represents a 16 percent increase over the base.
- Provide \$81,800 GPR in fiscal year 2017-18 and \$81,800 GPR in fiscal year 2018-19 for a biennial total of \$163,600 GPR, to reflect the Public Defender Board's need to provide interpreters to clients. This represents a 6 percent increase over the base. Reform the reimbursement process for court transcripts to more accurately reflect the actual costs incurred by counties.



G. NATURAL RESOURCES

One of the Governor's main goals is to ensure that all departments are more efficient and accountable. The Governor has tackled this problem in many different ways since the beginning of his first term. The Department of Natural Resources has shown a commitment to this goal by undertaking a major reorganization over the last 18 months. The reorganization of the department will streamline departmental services and remove barriers to receiving services. This is intended to address six key objectives:

- Increasing alignment between agency services and customer groups.
- Improving the management of the department's workload by documenting, prioritizing, and efficiently managing its core work.
- Increasing efficiency by grouping similar functions within divisions.
- Improving consistency by building systems and processes for the department's business functions.
- Increasing integration and collaboration to provide multi-program support to customers, local governments and businesses.
- Increasing financial flexibility and the sharing of resources in the department.

Specifically, the reorganization realigns function areas into more logical divisions, in order to provide the appropriate level of focus on each area of service. As a result of the realignment, the department will reduce the number of divisions from seven to five, consolidate law enforcement services to ensure adequate coverage for both conservation and environmental law enforcement, unite recreational programs into one program, create a single environmental management division to ensure environmental enforcement activities are actively managed, and create an external services division which will act as the portal for all customers of the department, dramatically improving customer service. While the realignment is not expected to reduce costs, it will maximize the resources available to the department to ensure protections of the state's most valuable natural resources.

This budget also provides additional support for forestry management, water quality management expansion, environmental management and protection, and parks and natural heritage. Modifications to the Environmental Improvement Program and additional resources for water quality management will ensure the continued protection of the state's ground- and surface water. In addition, through the class action settlement resulting from Volkswagen, settlement funds received by the state will be redirected to replacing aging, inefficient vehicles with clean-powered vehicles, ensuring additional protections of the state's air quality.

FORESTRY MANAGEMENT

- Require the Chief Forester to relocate to an existing Department of Natural Resources facility located north of Wisconsin Highway 29, no later than January 1, 2018, and permit existing division of forestry staff located in the city of Madison to relocate to state-owned or leased



spaces north of Highway 29, as designated by the Chief Forester. This provides the opportunity for 56.5 FTE positions to relocate closer to the areas of greatest demand, enhancing the department's opportunities to work closely with partners and stakeholders in the implementation of forestry programs.

- Provide \$261,700 SEG in fiscal year 2017-18 and \$261,700 SEG in fiscal year 2018-19 for the replacement of portable radios for forestry firefighters.
- Provide \$125,500 SEG in fiscal year 2017-18 and \$125,000 SEG in fiscal year 2018-19 for firefighter safety equipment.
- Provide \$34,000 SEG in fiscal year 2017-18 and \$34,000 SEG in fiscal year 2018-19 for aerial forest fire detection efforts.
- Provide one-time funding of \$106,900 SEG in fiscal year 2017-18 and \$106,900 SEG in fiscal year 2018-19 for master lease payments for forestry computers and field data recorders.
- Modernize the timber sales and reporting requirements by raising the threshold for advertising timber sales from \$3,000 to \$10,000, permitting on-line publication of sales notices, and extending the time before a county must report on when wood products were cut under an approved cutting plan.

WATER QUALITY MANAGEMENT EXPANSION

- Transfer 4.0 FTE positions from other natural resources activities to support water quality management activities, including additional support for the concentrated animal feeding operations program. This will provide for an additional \$282,000 SEG in fiscal year 2017-18 and \$282,000 SEG in fiscal year 2018-19 for the program.
- Expand the use of environmental improvement funds for additional water quality activities, to redirect more resources towards areas of sensitive surface and groundwater, to ensure communities are protected and resources are available for water permitting and oversight activities.
- Direct the Department of Natural Resources and the Department of Agriculture, Trade and Consumer Protection to conduct on study on the feasibility of transferring the permitting process for concentrated animal feeding operations from the Department of Natural Resources to the Department of Agriculture, Trade and Consumer Protection.
- Provide additional environmental bonding of \$5,900,000 for nonpoint source pollution abatement-targeted runoff management bonding, and \$3,000,000 for urban nonpoint cost-sharing.
- Modernize the Environmental Improvement Program by restructuring the loan program for disadvantaged and extremely disadvantaged communities to provide clean water fund loan rates at 33 percent and 0 percent of the market interest rate. The restructured program could serve up to an additional 56 communities, totaling \$114,400,000 in assistance, with a total population of 112,000. Under the current structure, those municipalities would be ineligible for a disadvantaged loan rate and be required to pay a loan rate of 70 percent of the market



interest rate. The restructure allows for a reduction in total authorized bonding under the clean water program of \$40,500,000.

- Reduce the municipal loan interest rate from 70 percent of the market interest rate to 55 percent for clean water fund projects funded through the Environmental Improvement Program for nondisadvantaged communities for clean water fund projects beginning in fiscal year 2017-18.
- Provide an additional \$5,800,000 in general fund supported general obligation bonding for the safe drinking water loan program.
- Permit the Great Lakes-St. Lawrence River Basin Water Resources Council to designate a water supply public service area for the city of Waukesha.
- Provide \$640,000 SEG in fiscal year 2017-18 and \$640,000 SEG in fiscal year 2018-19 for watershed nonpoint source contracts and other environmental aids for local communities, strengthening the State's commitment to water quality education and safety.

ENVIRONMENTAL MANAGEMENT AND PROTECTION

- Allocate \$42,000,000 of Volkswagen emissions settlement funds expected to be received by the state in the 2017-19 biennium for the replacement of older vehicles with new, lower emission vehicles. Through consultation with Milwaukee County, the state will provide up to \$26,000,000 of the settlement funds to the county to purchase new buses during the 2017-19 biennial budget. This will lower transit system emissions and target a majority of settlement funds toward a region deemed to be in need of air quality improvement. In return, the county will repay the state \$1,950,000 per year for a ten-year period. The remaining \$16,000,000 available during the 2017-19 biennium will be used to replace state-owned vehicles.
- Reestimate the funding for petroleum environmental cleanup fund awards by \$2,900,000 SEG in fiscal year 2017-18 and \$850,000 SEG in fiscal year 2018-19 to ensure there is sufficient appropriation authority to pay remaining claims for the program.
- Repurpose \$73,200 SEG in petroleum inspection fee revenue in fiscal year 2017-18 and \$73,200 SEG in fiscal year 2018-19 for air quality and vehicle emissions oversight, replacing the use of general fund revenues.

PARKS AND NATURAL HERITAGE

- Ensure the long-term viability of the parks system by permitting the Department of Natural Resources to charge varying admission and campsite fee charges based on the demand of the facilities. In addition, require the department and the Department of Transportation to conduct a study to determine whether a recreational passport purchased in conjunction with a vehicle registration through the Division of Motor Vehicles will improve revenues for the park system.
- Provide one-time funding of \$47,400 SEG in fiscal year 2017-18 and \$47,400 SEG in fiscal year 2018-19 for mobile data computers for parks staff.



- Permit the Department of Natural Resources to deposit existing fees collected for hunting pheasants in the Richard Bong Recreational area into the pheasant stamp appropriation, ensuring adequate stocking for the area. This will provide an additional \$100,000 SEG in fiscal year 2017-18 and \$100,000 SEG in fiscal year 2018-19 into the appropriation.
- Sunset the publication of the Wisconsin Natural Resources Magazine, effective with the February 2018 issue to allow the Department of Natural Resources to focus on its core mission, saving conservation patron license holders over \$75,000 in fiscal year 2017-18 and \$300,000 in fiscal year 2018-19, and eliminating 2.0 FTE SEG positions.
- Provide additional general fund supported bonding of \$4,000,000 for dam repair, reconstruction and removal projects.

H. TAX RELIEF AND ECONOMIC DEVELOPMENT

PROPERTY TAX RELIEF

- Continue the Governor's commitment to property tax relief by increasing the School Levy Tax Credit by \$87,000,000 in fiscal year 2018-19 to pay for credit distributions in the 2017/18 property tax year. This, combined with an increase in school equalization aids and continued prudent controls on property tax levies, will ensure that the Governor's promise of keeping the bill for the median value home below its levels in the 2014/15 property tax year is achieved.
- Eliminate the state portion of the property tax beginning in 2017 and provide the forestry account with a GPR appropriation equal to 0.1697 mills multiplied by the state's total equalized value. This will provide \$88,759,300 in property tax relief in fiscal year 2017-18 and \$91,695,600 in fiscal year 2018-19 while eliminating the state's portion of the property tax bill.
- Require county and municipal governments to reduce property tax levies by the amount by which pre-July 2005 debt service decreases from the previous year. More heavily-indebted local governments have been able to take advantage of a loophole in the levy limits by shifting levies for older debt service onto the operating levy while issuing new debt. The Governor recommends leveling the playing field and protecting property taxpayers by closing this loophole.
- Increase the Lottery's general program operations by \$3,000,000 SEG for additional Lottery product information activities to ensure continued tax relief to Wisconsin homeowners through the lottery and gaming credit.
- Beginning with distributions in 2018, allow municipalities which receive in total at least \$3,000,000 from the sum of the school levy credit, the first dollar credit and the lottery credit to make one ongoing, rather than annual requests, to receive these payments directly from the Department of Revenue, instead of through the county.



INCOME TAX RELIEF

- Reduce the two lowest individual income tax brackets by 0.1 percent each to bring them to 3.9 percent and 5.74 percent, respectively, while also expanding the second bracket to bring more income into a lower tax bracket. These changes are especially beneficial to the middle class and build on prior individual income tax rate reductions in the 2013-15 biennium. These modifications will reduce taxes by \$104,377,800 in fiscal year 2017-18 and by \$99,077,000 in fiscal year 2018-19.

SALES TAX RELIEF

- Create a "back to school" sales tax holiday effective for two days in both August 2017 and August 2018 for specified school supplies. The "back to school" sales tax holiday will exempt from sales tax items below certain dollar thresholds – including clothing if the sales price is no more than \$75, computers under \$750, and certain school supplies under \$75. This sales tax holiday will save Wisconsin families an estimated \$11,000,000 during each of these two "back to school" shopping seasons.

TAX REFORM MEASURES

- Enhance the Department of Revenue's ability to collect amounts already owed the state under current law – and thereby limit pressure to raise taxes. Specifically, provide 46.0 FTE four-year project positions with funding of \$2,227,700 in fiscal year 2017-18 and \$2,970,300 in fiscal year 2018-19 to the department to address an influx in workload in auditing, compliance and state and local government debt collection. These additional positions are expected to collect \$32,000,000 in both fiscal year 2017-18 and fiscal year 2018-19 of taxes owed, but not yet paid to the state, and collect additional debt that is owed to local government and state agencies.
- Reduce the potential for tax fraud, which leaves a heavier burden on law-abiding residents. Specifically, reduce the threshold over which an employer is required to submit W-2 forms electronically to the Department of Revenue to 10 or more employees to allow improved data matching and enhance fraud identification and prevention. In addition, prohibit the issuance of any income tax refund before March 1 unless both the employer and employee have filed all required returns and forms. These improved enforcement provisions are estimated to increase collections by \$3,000,000 in both fiscal year 2017-18 and fiscal year 2018-19.
- Eliminate an unintended overlap in the Manufacturing and Agriculture Credit that presently allows taxpayers to claim both that credit and the credit for taxes paid to other states on effectively the same income. Correcting this provision will increase tax revenues by \$9,700,000 in both fiscal year 2017-18 and fiscal year 2018-19.
- Correct an error in the statutes that allows part-year and nonresident filers to claim a larger Itemized Deduction Credit than is intended. These filers should have the same credit as full-time Wisconsin residents. This modification is expected to increase tax revenues by \$580,000 in fiscal year 2017-18 and \$590,000 in fiscal year 2018-19.
- Limit the Working Families Tax Credit to only filers where both spouses are full-time Wisconsin residents. While the credit is effectively not available to full-time Wisconsin residents due to a loss in the credit's value due to indexing of the standard deduction, filers



where one spouse is a part-time Wisconsin resident can still file for the credit. Disallowing these filers will increase tax revenues by \$200,000 annually and provide greater equity in the tax system.

- Expand the eligibility under the capital gains exclusion for Wisconsin businesses to allow businesses that utilize professional employer organizations to have those employees counted toward their employee counts. This change will correct an unintended consequence of current law that penalizes businesses for improving their efficiency.
- Equalize the treatment of tax credits authorized by the Wisconsin Economic Development Corporation and common individual income tax credits by prohibiting interest from being accrued on refunds that result from those credits. This provision will increase tax collections by \$500,000 annually and improve tax equity.
- Clarify current law to specify when taxpayers calculate the itemized deduction credit, adjustments made under the federal alternative minimum tax do not apply. This provision will improve tax equity by not treating alternative minimum tax taxpayers differently with respect to the itemized deduction credit than other taxpayers. Adopting this change will have a minimal fiscal effect, but avoids potential revenue losses.
- Update Wisconsin's references to the Internal Revenue Code to reflect the various provisions enacted over the past few years at the federal level that have not yet been adopted for Wisconsin purposes. These updates are expected to reduce tax revenues by \$600,000 in fiscal year 2017-18 and \$800,000 in fiscal year 2018-19. In addition, due dates for corporate and partnership returns will be federalized to align Wisconsin filing dates with federal filing dates. Both of these changes will serve to simplify the burden of complying with Wisconsin tax law.
- Clarify Wisconsin's sourcing rules for services provided to tangible personal property to align statutes with existing Department of Revenue practices.
- Require the income of captive insurance companies to be included in the combined income of the parent company in order to close a common tax avoidance loophole. This will raise \$1,000,000 in new tax revenue in each year of the biennium.
- Align the treatment of the look-back period for credits and net business loss carryforwards to set the net business loss limit to four years, which is the same as the limitation for credits. This will clarify existing law and bring statutes into alignment with the Department of Revenue's practices. This measure is expected to increase tax revenues by \$1,000,000 annually.
- Apply the sales and use tax on occasional sales of off-road motorcycles so that all registered vehicles will be subject to the tax equally for such sales. This change will have a minor increase in collections of \$215,000 in both fiscal year 2017-18 and fiscal year 2018-19.
- Delay the effective date of 2013 Wisconsin Act 229, pertaining to Private Label Credit Card bad debts until September 1, 2019. This change will increase tax collections by \$10,151,800 in fiscal year 2017-18 and \$10,436,000 in and fiscal year 2018-19.



- Raise the occasional sales tax threshold from \$1,000 to \$2,000 to erase an unnecessary burden on taxpayers. This change is expected to reduce collections by \$169,900 in fiscal year 2017-18 and \$162,100 in fiscal year 2018-19.
- Expand the lump sum contract sales tax exemption to all construction contracts involving real property construction activities if the total sales prices of the taxable products are less than 10 percent of the total contract price, and allow the exemption to also apply to all subcontractors of a qualifying general contractor. This change will decrease the cost for the construction and renovation for general contractors and homeowners. This modification will decrease collections \$1,250,000 in fiscal year 2017-18 and \$1,500,000 in fiscal year 2018-19.
- Provide a sales and use tax exemption for the sale of prepared food that is made off-site and frozen by the retailer, and then sold frozen by the retailer. This exemption is expected to decrease collections in both fiscal year 2017-18 and fiscal year 2018-19 by \$1,000,000 and will improve vertical integration opportunities for Wisconsin businesses.

GROWING OUR ECONOMY

- Increase funding to the Wisconsin Economic Development Corporation in fiscal year 2018-19 by \$6,300,000 to provide the corporation with greater resources to assist Wisconsin businesses. In addition, modify the corporation's funding structure to allow larger amounts of the Economic Development Surcharge to fund the corporation's operations and reduce the state's general fund commitments.
- Reform the Wisconsin Economic Development Corporation's loan programs by permitting the corporation to originate new loans provided that they are funded by the proceeds of repaid loans while prohibiting funding from state appropriations to the corporation and also prohibiting the practice of offering forgivable loans. These modifications will strengthen the corporation's portfolio of economic development tools while improving the integrity of its lending programs. By requiring that loans be funded via the repayment of existing loans, the success of these lending programs will be tied to the quality of the loans made by the corporation.
- Increase the cap of investments eligible for the Angel and Early Stage Seed Credit program from \$8,000,000 to \$12,000,000 for each qualifying business to expand opportunities for those businesses to obtain more capital. In addition, allow the Wisconsin Economic Development Corporation to carryforward unutilized credits under these programs to the next calendar year for purposes of requesting reallocations to the Business Development Credit program.
- Allow Enterprise Development Zones to be reallocated if the contracts for those zones are cancelled or if the contract term regarding a zone expires. This will allow the Enterprise Development Zone Jobs Credit program the ability to recycle its existing authority to maintain this important economic development program.
- Modify the Historic Rehabilitation Tax Credit by limiting the credit to annual awards of \$10,000,000 to be competitively awarded on the basis of job creation potential while creating a clawback provision to ensure credits are repaid if pledged job creation totals are not met. The imposition of a \$10,000,000 annual cap is expected to save the state \$3,000,000 in fiscal year 2017-18 and \$14,100,000 in fiscal year 2018-19. These modifications will focus state



resources most directly on those projects with the greatest job creation potential. Limiting the annual state exposure to this program is prudent to ensure that its rapidly growing expenditures do not crowd out other economic development priorities. Without a cap, the program has grown to being one of the state's most expensive tax expenditures.

I. TRANSPORTATION

TABLE 22: TEN LARGEST TRANSPORTATION FUND PROGRAMS
(\$ in millions)

	2017-19 <u>Budgeted</u>	Percent of <u>Total</u>	Cumulative <u>Percent</u>
General Transportation Aids to Local Governments	896.3	22.4%	22.4%
State Highway Rehabilitation	557.9	14.0%	36.4%
Routine Maintenance Activities	373.7	9.4%	45.8%
Mass Transit Operating Aids	221.5	5.5%	51.3%
Highway System Management and Operations	199.2	5.0%	56.3%
Major Highway Development	152.9	3.8%	60.1%
Division of Motor Vehicles	145.9	3.7%	63.8%
Departmental Management and Operations	132.2	3.3%	67.1%
Division of State Patrol	130.8	3.3%	70.3%
Local Roads Improvement Program	<u>70.1</u>	<u>1.8%</u>	<u>72.1%</u>
Top Ten Program Total	2880.5	72.1%	72.1%
SEG Debt Service (not included above)	807.8	20.2%	92.3%
<u>All Other Programs</u>	<u>307.0</u>	<u>7.7%</u>	<u>100.0%</u>
SEG Total	3995.3		

Detail may not add due to rounding.

Note: SEG Debt Service and SEG Total includes projected transportation revenue bond debt service under the Governor's recommendations. SEG Total also includes other agency spending funded by the Transportation Fund.

- Provide a 2 percent increase in both fiscal years of the biennium for aids to counties for the transportation of seniors and individuals with disabilities.
- Increase aids to Wisconsin's 11 federally-recognized tribes for transportation of tribal elders by \$148,500 annually.
- Provide \$8,000,000 in funding for construction lets on the Stillwater Bridge project connecting Minnesota and Wisconsin over the St. Croix River.
- Allocate Transportation Fund-supported general obligation bonding of \$14,100,000 and \$12,000,000 for harbor improvements and freight rail preservation, respectively.



- Repeal the prevailing wage requirements for state construction projects including those let by the Department of Transportation and prohibit any unit of government in Wisconsin from either requiring or considering the use or lack of use of a project labor agreement by a contractor as a condition of bidding on a public works project. These reforms are expected to increase efficiencies and reduce costs on state construction projects.
- Provide \$3,577,200 over the biennium to purchase 500 new tactical vests/helmets and cloud-compatible in-squad video cameras for the State Patrol.
- Increase the minimum forfeiture for inattentive driving or texting and driving from \$20 to \$40 as nearly 20 percent of crashes resulting in injuries are due to inattentive driving.

J. VETERANS AND MILITARY AFFAIRS

- Provide \$1,360,700 in fiscal year 2017-18 and \$1,360,700 in fiscal year 2018-19 for operational improvements and equipment costs at the Wisconsin Veterans Homes, including funding for resident security systems maintenance, electronic health records and increased Medicare A and B therapy costs.
- Support resources available to Wisconsin veterans by increasing available funding to the American Legion and Veterans of Foreign Wars by \$60,000 in fiscal year 2017-18 and \$60,000 in fiscal year 2018-19 for claims support; increasing funding for veterans transportation provided by the Disabled American Veterans Department of Wisconsin by \$80,000 in fiscal year 2017-18 and \$80,000 in fiscal year 2018-19; and increasing funding to Camp American Legion by \$25,000 in fiscal year 2017-18 and \$25,000 in fiscal year 2018-19 to provide rest, relaxation, recuperation, and rehabilitation services for veterans, active duty military service members, and their families.
- Increase access to crisis intervention services by providing \$60,000 in fiscal year 2017-18 and \$60,000 in fiscal year 2018-19 to create a pilot program for veterans in Kenosha and Racine counties.
- Provide \$20,000 in fiscal year 2017-18 for a study assessing the unique needs of women veterans in Wisconsin. There are approximately 38,000 female veterans in Wisconsin and they face distinct obstacles related to job training, homelessness and obtaining proper mental health assistance.
- Streamline the County Veterans Service Office Grant Program by implementing a fixed, block grant model for disbursement of grant funding and requiring a designated county official certify proper use of county veterans service officer annual grant expenditures. In addition, provide \$107,800 in fiscal year 2017-18 and \$143,800 in fiscal year 2018-19 for a County Veterans Service Office liaison position to improve administration and outreach services associated with the program.
- Enhance direct care staffing capacity by increasing funding by \$25,200 in fiscal year 2017-18 and \$25,200 in fiscal year 2018-19 and reallocating 7.3 FTE central office administrative positions to the Veterans Home at King.



- Increase mission readiness at Mitchell and Truax Airbases by increasing funding by \$165,000 in fiscal year 2017-18 and \$165,000 in fiscal year 2018-19 for maintenance and repair projects. This represents a 42 percent increase in total available annual funding.
- Support growing demand for emergency management training by increasing training staff and providing \$59,400 in fiscal year 2017-18 and \$62,700 in fiscal year 2018-19.
- Provide \$80,200 in fiscal year 2017-18 and \$80,200 in fiscal year 2018-19 and 1.0 FTE permanent position to reflect the Department of Military Affairs permanent assumption of administrative functions related to the military property program.
- Support growing demand for emergency response training courses available to law enforcement, fire services, and military personnel by increasing permanent training staff at the Regional All-Climate Training Center by providing 2.0 FTE permanent positions and reallocating existing resources.
- Enhance statewide emergency crowd control capacity by providing \$500,000 in fiscal year 2017-18 for equipment and training grants available to local law enforcement agencies.
- Improve statewide large scale incident emergency preparedness by providing \$325,000 PR from the Public Service Commission in fiscal year 2017-18 to support the Dark Sky multistate emergency response exercise involving federal, state, local government, and private business participants.

K. WORKFORCE DEVELOPMENT

- Provide 5.0 FTE SEG positions for the Division of Worker's Compensation to maintain customer service levels.
- To increase efficiency and facilitate reasonable settlement offers in employment disputes, establish a procedure for statutory compromise offers for claims filed within the Department of Workforce Development, Equal Rights Division, and provide \$10,000 in fiscal year 2017-18 for administration of the program.
- Permit the Department of Safety and Professional Services to contract out professional assistance procedures for chemical dependency services for licensed professionals. Reduce expenditure authority by \$69,500 in fiscal year 2017-18 and \$69,500 in fiscal year 2018-19, a total reduction of \$139,000 over the biennium, and authorized positions by 0.5 FTE position to reflect cost savings associated with contracting out the professional assistance procedures.
- Transfer the Wisconsin Agricultural Education and Workforce Development Council from the Department of Agriculture, Trade and Consumer Protection to the Department of Workforce Development to allow for synergies in the development of workforce activities in the agricultural field.



V. ECONOMIC ASSUMPTIONS AND REVENUE ESTIMATES

NATIONAL ECONOMY

The Legislative Fiscal Bureau's 2017-19 revenue estimates are based on the January 2017 national economic forecast from IHS Markit. IHS Markit forecasts strengthening economic growth in 2017 relative to the modest rate of growth in 2016 as a strong labor market supports accelerating growth in personal income. Economic growth is expected to accelerate in 2018 due to expected federal fiscal stimulus, predominantly in the form of tax reductions and infrastructure investments before decelerating slightly in 2019.

- **Real Output Growth.** Real Gross Domestic Product (GDP) is projected to increase by 2.3 percent in 2017, 2.6 percent in 2018, and 2.3 percent in 2019.
- **Employment.** Employment is projected to continue to grow moderately over the next few years with growth in total nonfarm payrolls of 1.3 percent in 2017 and 1.2 percent in both 2018 and 2019. These rates of growth are down from the past few years as slack in the labor market has been largely absorbed.
- **Inflation.** Inflation is projected to accelerate relative to recent years with consumer prices expected to rise 2.5 percent in 2017, 2.1 percent in 2018, and 2.5 percent in 2019.
- **Profits.** Corporate profits are expected to jump in the next two years before decelerating. Economic profits are projected to grow by 8.0 percent in 2017, 4.8 percent in 2018, and 0.3 percent in 2019.
- **Incomes.** Personal income growth is projected to accelerate with growth of 4.6 percent in 2017, 5.2 percent in 2018, and 5.3 percent in 2019.
- **Retail Sales.** Retail sales growth is expected to generally grow in line with incomes over the next few years with projected growth of 4.1 percent in 2017, 4.8 percent in 2018, and 5.2 percent in 2019.



TABLE 23: SUMMARY OF THE NATIONAL ECONOMIC OUTLOOK

Economic Indicators	Actual		2017	Forecast	
	2015	2016		2018	2019
Gross Domestic Product					
Nominal GDP	3.7	2.9	4.7	4.8	4.4
Real GDP	2.6	1.6	2.3	2.6	2.3
Prices and Wages					
GDP Deflator	1.1	1.3	2.3	2.1	2.1
Consumer Price Index	0.1	1.3	2.5	2.1	2.1
Compensation Per Hour	2.1	2.1	2.5	3.1	3.4
Production and Other Measures					
Total Nonfarm Employment	2.1	1.7	1.3	1.2	1.2
Industrial Production	0.3	-1.0	1.5	3.0	2.1
Housing Starts (Millions)	1.108	1.162	1.223	1.320	1.387
Light Vehicle Sales (Millions)	17.40	17.41	17.38	17.57	17.56
Retail Sales	2.3	3.0	4.1	4.8	5.2
Profits and Income					
Corporate Profits Before Tax	-5.5	3.0	8.2	3.4	-0.5
Personal Income	4.4	3.5	4.6	5.2	5.3

All numbers are annual percent change except as noted.

REVENUE AND EXPENDITURE OUTLOOK

The revenue estimates released by the Legislative Fiscal Bureau on January 18, 2017, reflect an improved outlook for Wisconsin. The bureau projects revenues will increase by \$406,100,000 (2.7 percent) in the current fiscal year, by \$529,800,000 (3.4 percent) in fiscal year 2017-18, and by \$582,600,000 (3.6 percent) in fiscal year 2018-19.

These increases demonstrate Wisconsin's steady economic growth, mirroring the national trend. Individual income tax revenues are expected to grow 4.0 percent this year, 3.9 percent in fiscal year 2017-18, and 4.2 percent in fiscal year 2018-19. Sales tax revenues are also expected to increase this year and in each year of the upcoming biennium, with growth of 2.9 percent this year, 3.0 percent in fiscal year 2017-18, and 3.9 percent in fiscal year 2018-19. Corporate income tax revenues are expected to decline (6.5 percent) in the current year from the prior year actuals, but then grow by 4.4 percent in fiscal year 2017-18 and 1.1 percent in fiscal year 2018-19.

As in the past three biennia, this budget will continue to provide prudent levels of tax relief while also managing the state's fiscal condition responsibly. The tax relief the Governor recommends will be well within the bounds of what can be paid for with projected revenues.

The Governor's 2017-19 biennial budget builds upon the tough, but prudent decisions characterizing the prior three biennia, which have funded key state priorities while also minimizing the burden borne by state taxpayers.



TABLE 24: GENERAL PURPOSE REVENUE ESTIMATES
(\$ in millions)

<u>Current Law Estimates</u>	<u>Actual FY16</u>	<u>Estimate FY17</u>	<u>Estimate FY18</u>	<u>Estimate FY19</u>
Individual Income	\$7,740.8	\$8,050.0	\$8,360.0	\$8,710.0
General Sales and Use	5,065.8	5,215.0	5,370.0	5,580.0
Corporation Franchise and Income	963.0	900.0	940.0	950.0
Public Utility	360.6	359.7	373.5	378.2
Excise				
Cigarette	573.4	565.0	565.0	561.0
Tobacco Products	76.1	82.0	85.0	88.0
Liquor and Wine	50.0	51.0	52.0	53.0
Beer	9.0	8.9	8.9	8.8
Insurance Companies	177.3	187.0	192.0	197.0
Miscellaneous	<u>81.4</u>	<u>85.0</u>	<u>87.0</u>	<u>90.0</u>
Total GPR Taxes	\$15,097.5	\$15,503.6	\$16,033.4	\$16,616.0
Change Over Prior Year				
Amount		\$406.1	\$529.8	\$582.6
Percent		2.7%	3.4%	3.6%

Detail may not add due to rounding.



The Governor's budget reduces the Wisconsin individual income tax for taxable income up to \$28,090 for single filer and \$37,450 for a married joint filer, makes significant efforts to improve tax law enforcement and clarifies the treatment of existing law.

TABLE 25: GENERAL PURPOSE REVENUE ESTIMATES UNDER GOVERNOR'S RECOMMENDATIONS
(\$ in millions)

<u>Current Law Estimates</u>	<u>Actual FY16</u>	<u>Estimate FY17</u>	<u>Estimate FY18</u>	<u>Estimate FY19</u>
Individual Income	\$7,740.8	\$8,050.0	\$8,277.8	\$8,637.0
General Sales and Use	5,065.8	5,215.0	5,374.9	5,585.0
Corporation Franchise and Income	963.0	900.0	957.0	975.1
Public Utility	360.6	359.7	373.5	378.2
Excise				
Cigarette	573.4	565.0	565.0	561.0
Liquor and Wine	76.1	82.0	85.0	88.0
Tobacco Products	50.0	51.0	52.0	53.0
Beer	9.0	8.9	8.9	8.8
Insurance Companies	177.3	187.0	192.0	197.0
Miscellaneous	<u>81.4</u>	<u>85.0</u>	<u>87.0</u>	<u>90.0</u>
Total GPR Taxes	\$15,097.5	\$15,503.6	\$15,973.1	\$16,573.0
Change Over Prior Year				
Amount		\$406.1	\$469.5	\$599.9
Percent		2.7%	3.0%	3.8%

Detail may not add due to rounding.



VI. REFERENCE SECTION

Glossary of Terms and Abbreviations

Adjusted Base Year: The legislatively authorized total level of funding in the second year of a biennium for an appropriation, program or agency, which becomes the base and starting point for funding changes in the upcoming budget.

Aids to Individuals and Organizations: State payments made directly to or on behalf of an individual or private organization.

Annual Appropriations: Authorization for expenditures only up to the amount shown in the Chapter 20 appropriations schedule and only for the fiscal year for which they are appropriated. Unused funds in annual appropriations lapse to the fund of origin at the close of each fiscal year.

Base Level Reallocations: A means of transferring existing budgeted dollars from lower to higher priority activities.

Base Year Reconciliation: The documentation of adjustments to agency budgets at the appropriation level throughout the current biennium which have an effect on the base year (the second year of the current biennium).

Biennial Appropriations: Authorization for expenditures for the biennium for which they are appropriated. Dollar amounts shown in the Chapter 20 appropriations schedule represent the most reliable estimates of the amounts which will be expended in each fiscal year. Amounts can be expended in any fashion between the two years of the biennium.

Bond Revenue: Monies resulting from the contracting of public debt as authorized by the Legislature for specific purposes.

Continuing Appropriations: Authorization for expenditures from an appropriation until the appropriation is fully depleted or repealed by subsequent action of the Legislature. The appropriation for any given year consists of the previous fiscal year ending balance together with the new Chapter 20 appropriation authority granted during the current fiscal year.

Fiscal Year (FY): The year between July 1 and the following June 30 which corresponds to the state's budget and accounting period. A fiscal year is usually expressed as FY19 for fiscal year 2018-19, for example.

Full-Time Equivalent (FTE) Position: Designates the number (down to 0.1) of authorized positions affected by an action. A 1.0 FTE position represents full-time authority for 2,080 hours of employment, 0.5 FTE position represents 1,040 hours, etc.

General Purpose Revenue (GPR): Monies consisting of general taxes (sales, income, excise, inheritance, etc.), miscellaneous receipts and revenues collected by state agencies which are paid into the general fund, lose their identity and are then available for appropriation for any purpose by the Legislature.

General Purpose Revenue-Earned (GPR-E): Miscellaneous revenues collected by agencies that are deposited in the general fund and interest earnings on general fund balances.



Lapse: For annual appropriations, any budgeted funds that remain unspent at the end of each fiscal year revert or lapse back to the fund (general fund, transportation fund, conservation fund, etc.) from which they were appropriated. For biennial appropriations, a lapse occurs only in the second fiscal year of each biennium. There is no lapse from continuing appropriations.

Limited Term Employee (LTE): Individuals employed by the state for temporary positions, which are limited by law to 1,040 hours per 26 consecutive pay periods, and are not part of the state's civil service system.

Local Assistance: Appropriations made to or on behalf of units of local government in Wisconsin to help pay costs which would otherwise be borne by local governments.

Mission Statement: The overall purpose of a governmental organization. In many cases specific legislative direction is given to an agency and serves as the principal purpose of the agency.

One-Time Financing: The provision of funds for a cost that will not recur in future years.

Permanent Positions: All positions, classified and unclassified, which are not LTE or project positions and which do not have a termination date. Most position numbers are expressed as full-time equivalent (FTE). This would represent one person working full-time as one FTE position and two persons each working half-time as one FTE position.

Program Goal: A broadly based statement of anticipated results.

Program Revenue – Federal (PR-F): Monies received from the federal government and deposited as program revenues in the general fund.

Program Revenue – Other (PR or PR-O): Monies credited by law to a specific general fund appropriation to finance a particular agency, program or activity. They generally represent monies from user charges such as license and inspection fees, receipts from product sales or reimbursement for the cost of services provided to an individual or organization which is not another state agency.

Program Revenue – Service (PR-S): Monies credited by law to a specific general fund appropriation to finance a particular agency, program or activity when the service is provided to another state agency or the funding is received from another state agency.

Program Structure: The building blocks of an agency's budget are as follows:

Program: A broad category of similar services for an identifiable group or segment of the population for a specific purpose.

Subprogram: A breakdown of a program into units which identify more specific services or a more specific segment of the population.

Program Element: A breakdown of a subprogram into units which further program objectives by contributing to a specific output or group of related outputs described by a service or target group.

Program Summary: The same information as the department summary but at the program and subprogram levels.



Project Positions: A position with a fixed termination date and with a maximum duration of four years.

Segregated Revenue – Federal (SEG-F): Monies received from the federal government and deposited as revenues in a segregated fund.

Segregated Revenue – Local (SEG-L): Monies received from local governments which are used in conjunction with state and/or federal funds on transportation projects with a local component.

Segregated Revenue – Other (SEG or SEG-O): Monies which, by law, are deposited into funds other than the general fund. The funds retain their interest earnings and are available for predesignated purposes.

Segregated Revenue – Service (SEG-S): Monies which are credited by law to a specific segregated fund appropriation to finance a particular agency, program or activity when the service is provided to another state agency.

Standard Budget Adjustments: Technical adjustments to the base which are needed to accurately reflect the current level of funding on an annualized basis.

State Operations: Expenditures which are not local assistance or aids to individuals that fund the administrative operations of state agencies and the University of Wisconsin.

Sum Certain Appropriations: Authorization for expenditures from the indicated source in the specific amounts appropriated in the Chapter 20 schedule.

Sum Sufficient Appropriations: Authorization for expenditures from the indicated source in the amounts necessary to accomplish the purpose specified. Dollar amounts shown in the Chapter 20 appropriation schedule represent the most reliable estimate of the amounts which will be needed; however, they are not controlling.

Turnover: A reduction to the salary budget to reflect the savings realized when positions become vacant and when experienced employees are replaced with those who earn only the minimum salary in their classification.

Unclassified Positions: Permanent positions which are not filled through the civil service and which have no civil service protection.